



सत्यमेव जयते

INDIAN AGRICULTURAL
RESEARCH INSTITUTE, NEW DELHI

I.A.R. I.6.

GIP NLK—H-3 I.A.R.I.—10-5-55.—15,000

March, 1949

RESEARCH STUDIES
OF THE
STATE COLLEGE OF WASHINGTON



33319
IARI

THIS ISSUE IS DEVOTED TO THE
PROCEEDINGS OF THE PACIFIC SOCIOLOGICAL SOCIETY
1949

Editor for the Pacific Sociological Society: Wallis Beasley

CONTENTS

	PAGE
EMPIRICALLY TESTED PRINCIPLES OF SOCIAL BEHAVIOR: <i>Harvey J. Locke</i>	3
BUREAUCRACY AND SOCIAL REFORM: <i>S. M. Lipset</i>	11
A PARTIAL ANALYSIS OF 2386 DIVORCES GRANTED IN MULT- NOMAH COUNTY (PORTLAND), OREGON, DURING 1942: <i>Lawrence S. Bee</i>	18
HUMOR AND MORALE IN INTERMENT CAMPS: <i>Alvin H. Scaff</i>	23
PRIMITIVISM, AUTHORITY AND "HUMAN RELATIONS": <i>Reinhard Bendix</i>	29
THE FRAME OF REFERENCE OF WARD'S DYNAMIC SOCIOLOGY: <i>John M. Foskett</i>	35
CONSEQUENCES OF THE PARTIAL LOSS OF CONTINUITY IN SOCIETY: <i>Robert E. L. Faris</i>	40
THE CONCEPT OF MARITAL ADJUSTMENT AREAS: <i>Charles E. Bowerman</i>	45
POPULATION PRESSURE IN JAPAN: <i>David B. Carpenter</i>	51
THE ETHNIC REFERENT: <i>Leonard Bloom</i>	55
MEMBERS OF THE PACIFIC SOCIOLOGICAL SOCIETY	62

Pullman, Washington

RESEARCH STUDIES
of the
STATE COLLEGE OF WASHINGTON

EDITOR-IN-CHIEF

PAUL P. KIES, *Professor of English*

ASSOCIATE EDITORS

CARL M. BREWSTER
Professor of Organic Chemistry

CARL I. ERICKSON
Professor of Psychology

HERMAN J. DEUTSCH
Professor of History

HERBERT L. EASTLICK
Associate Professor of Zoology

Entered as second-class matter December 26, 1936, at the post office at Pullman, Washington, under Act of August 24, 1912.

Research Studies of the State College of Washington is published in Pullman, Washington, by the State College of Washington. It is issued four times a year—in March, June, September, and December.

PURPOSE. *Research Studies* is a medium of publication for articles of research in the pure sciences and arts, being limited to material making a contribution to knowledge. Its pages are open to the faculty and the advanced students of the State College of Washington. One issue each year is devoted to papers read by members of the Pacific Sociological Society at its annual convention. Suitable articles by other persons are accepted whenever space is available.

MANUSCRIPTS. Authors who wish to publish in *Research Studies* should submit their manuscripts to Paul P. Kies, Room 305, College Hall, Pullman, Washington. Though no strict limit is set as to the maximum number of pages or the nature or number of illustrations, authors are reminded that the papers must be actual research. Long introductions, unnecessary comments, and repetitions are not acceptable. Authors who will assume the expense may arrange for the inclusion of extra pages, tables, or illustrations.

SUBSCRIPTIONS. *Research Studies* will be mailed postpaid to subscribers for three dollars a year. Subscriptions are payable in advance to *Research Studies*, Correspondence Office, State College of Washington, Pullman, Washington, U. S. A.

EXCHANGE. *Research Studies* is offered in exchange to other colleges, universities, learned societies, and libraries. Publications sent in return should be addressed to the Exchange Department, Library, State College of Washington, Pullman, Washington, U. S. A. At present, all back numbers and title pages can still be supplied.

SINGLE NUMBERS. Single numbers will be sold or exchanged as long as available; orders should be addressed to *Research Studies*, Correspondence Office, State College of Washington, Pullman, Washington, U. S. A. For prices of back numbers (with the list of articles in each number), see pages 203-08 of the issue for September, 1947 (Vol. XV, No. 3). The price of the present number is one dollar.

RESEARCH STUDIES of the STATE COLLEGE OF WASHINGTON

Volume XVII

March, 1949

Number 1

EMPIRICALLY TESTED PRINCIPLES OF SOCIAL BEHAVIOR¹

HARVEY J. LOCKE

University of Southern California

The formulation of principles of social behavior supported by empirical data is considered a primary function of social science. This is in sharp contrast to armchair speculations, which recently have been attacked by many social scientists. Schmid calls armchair speculation "barren, useless, unproved, and unprovable" and says that it "must be discarded before genuine scientific theory can emerge."² Most of the authors of the special fiftieth issue of the *American Journal of Sociology* note this trend from speculation to generalizations supported by empirical studies. Lundberg, for example, speaks of a "new and more promising type of sociological theory" which uses approved scientific procedures.³ Stouffer and associates in their report on the attitudes of more than a half million soldiers in World War II, suggest that, while we should keep an open mind on the potential utility of conceptual schemes, we can expect the next generation of social scientists to subject such conceptual schemes to rigorous verification.⁴

What is this "new," "genuine," "more promising" type of theory other than that it must be subjected to verification through accredited methods of testing? Is theory the only type of knowledge which the social scientist should seek, or are there other types of knowledge? The writer, as a basis for discussion, proposes three types of knowledge. This will be followed by a presentation of three principles of social behavior with supporting evidence.

Social scientists consider knowledge to be one or more of the following related types: (1) descriptive statements on specific facts; (2) tentative conclusions from a particular study; and (3) tentative princi-

¹ Presidential address.

² Calvin F. Schmid, "Some Remarks on Sociological Theory and Sociological Research," *Proceedings of the Pacific Sociological Society*, published as Vol. XV (1947), *Research Studies of the State College of Washington*, p. 116.

³ George A. Lundberg, "The Proximate Future of American Sociology: The Growth of Scientific Method," *American Journal of Sociology*, L (1946), p. 503.

⁴ S. A. Stouffer et. al., *Studies in Social Psychology in World War II: The American Soldier, Adjustment During Army Life* (Princeton: Princeton University Press, 1949), pp. 32-33.

ples supported by the conclusions of several empirical studies. The latter is sometimes termed social theory.

These three types of knowledge will be illustrated by studies in industrial behavior carried on at the Lockheed Aircraft Corporation, Burbank, California.⁵ The first type, description of specific facts, is illustrated by the percentage of single men found in a study of success in supervision. Single men comprised 5 per cent of "better" supervisors and 20 per cent of "poorer" supervisors. Both percentages are given as matters of fact, and, if true, constitute knowledge. The second type of knowledge, conclusions from the same particular investigation, is the correlation between success in supervision and the degree of "community stability," as measured by marital status, number of children, home ownership, and length of residence in the community. This conclusion, although from only one study, constitutes knowledge. The third type, a principle supported by conclusions from several studies, was formulated from various studies at Lockheed and other investigations of adjustment to a job. *There is a positive correlation between family responsibilities and adjustment of the average man to his job.* A man who is married, has dependents, and owns his home will be steadier in his work, stick to his job longer, and go further in his vocation.

This last type of knowledge might be extended to adjustment in other social situations than a job and a principle of greater generality might be formulated. It might be found that adjustment in social situations—such as in a job, in prison, on parole, in school, and in the armed services—is correlated positively with family responsibilities. There probably are variables in the different situations, so that adjustment to any and all social situations would not be dependent on family responsibilities. Investigation of the variables might allow the social scientist to formulate a more precise principle, including the limiting conditions under which adjustment to social situations is dependent on the degree of family responsibilities.

The degree to which knowledge can be demonstrated by empirical studies depends on the generality of the knowledge, on the authenticity of the data, on the kind of data collected, and on the amount of evidence available. The kind of evidence supporting the first of the three principles discussed below is very different from that supporting the other two. In all three it would be necessary to have more evidence than that

⁵ Lee Stockford and Karl R. Kunze, "How Family Status Affects Vocational Adjustment," *American Machinist*, XCII (Oct. 7, 1948), pp. 85-89.

which is presented before it could be said that they had been demonstrated.

Principle: *A program will operate more smoothly if worked out with, rather than imposed on, a group and if it promotes, rather than deprives or thwarts, interests and wishes of members of a group.* Evidence will be from Likert's study of the National Forest Service and findings of Mayo and associates.

In 1940, people living in the vicinity of a National Forest in Louisiana engaged in an organized effort to drive out the United States Forest Service.⁶ A small group of young men set fires which burned over a large area of young trees planted by the Forest Service. Faced with this situation, the Forest Service requested the Division of Program Surveys of the Bureau of Agricultural Economics to make a study to find answers to why the people burned the forest so extensively that year, why each year they burned small patches of the forest, and what could be done to reduce the menace of incendiary fires.

The interviewer assigned to the study went to the community, mingled with the people, and obtained their cooperation. Through a series of informal interviews he acquired certain specific factual knowledge. He found that the land comprising this particular National Forest had been logged off prior to 1920, that after the timber had been cut the land had been abandoned by its owners and had been considered open range by the people, that the chief source of food and income came from razor-back hogs and tough cattle which roamed and foraged at will over the cut-over land, and that the dark-skinned mixture of Indians, Negroes, and whites formed a cultural island. The interviewer found that the traditional method of "corralling" the livestock was to burn off a small patch of underbrush early each year, on which new grass would then grow, and the half-starved livestock would flock to this place. Any livestock appearing on the plot burned by a particular farmer, unless branded by another, was considered by common consent the property of that farmer.

Thus the buying and fencing of the open range by the Forest Service caused serious economic problems for the local inhabitants. After the trees in the fenced areas had obtained a fair start, the Forest Service allowed cattle, but not hogs, to graze in these areas for a small fee, which

⁶Rennis Likert, "Opinion Studies and Government Policy," *Proceedings of the American Philosophical Society: Research Frontiers in Human Relations*, 1948 (Philadelphia), pp. 341-43.

included membership in a stock-improvement association. The Forest Service planned to bring in bulls of especially good breeding to improve the cattle. This improvement program also was imposed on the people against their wishes, for the people felt that "improved cattle" would not be hardy enough to survive heat, ticks, and the open range. When C.C.C. boys were imported to work in the forest and local men were not hired, the people of the community felt that the Forest Service was trying to destroy them and drive them from the region. Thereupon they staged their rebellion and began burning the forest.

On completion of the study, the Forest Service changed its policy and program for National Forests so that attention was given to selling a program to the local inhabitants and securing their cooperation in its formation. When the local people in the Louisiana area felt that the Forest Service was planning its program to meet their needs and desires, their hostility and resentment declined.

Several questions arise with reference to the conclusion that the change in policy and program resulted in a change of attitudes by the local inhabitants. Does the evidence justify this conclusion? Were there other variables, such as the imprisonment of the leaders of the rebellion, or improving economic conditions after 1940, which might reasonably account for the decline in resentment toward the Forest Service?

The study, though not conclusive, does give some support to the principle that a program will operate more smoothly if worked out with, rather than imposed on, a group and if it meets the needs and desires of members of the group to which the program is directed.

In spite of the propaganda technique of name-calling—"cow," "cowed," or "managerial" sociology—directed at Mayo and associates,⁷ do their findings support the principle stated above? Let us eliminate from consideration the fact that the values and biases of Mayo and associates may have been those of management and that, in the eyes of the workers, they were representatives of management, even though they did not know it. Do the data they report support the principle under consideration?

The objectives of management in the two studies reviewed herein were respectively to decrease labor turnover and to decrease absenteeism

⁷ See Daniel Bell, "Adjusting Men to Machines," *Commentary*, III (1947), p. 88; Harold L. Sheppard's review of *Human Relations in the Restaurant Industry*, by William F. Whyte, *American Journal of Sociology*, LIV (1949), pp. 469-71.

to the end that production might be maintained. It will be recalled that, in one department of a textile mill near Philadelphia, labor turnover was about 250 per cent a year as compared with 5 or 6 per cent in other departments of the plant. Introduction of rest periods was followed by the elimination of the turnover in this department and a great increase in production. But Mayo concluded that the change could not be attributed to the mere introduction of rest periods, for inevitably many additional changes had been simultaneously introduced. For example, the investigators had listened carefully and with full attention to anything a worker wished to say, and management had demonstrated an interest in the men and a wish to know their desires.⁸

In the second study on absenteeism, the data reported indicate that company C was behaving differently from A and B, even though many of the conditions of the companies were similar. It will be recalled the investigation was in a metal-working industry. The study of these three very similar companies revealed that there was a group of "regular" attendants and a group of "irregular" workers in all three, and that in a 15-months period, January 1942 to March 1943, the percentage of absences of regular attendants increased in companies A and B, but decreased in C. It was found that in the conditions of work, particularly worker-management relations, company C differed from A and B.

It was reported that company C had a tradition extending over a twenty-year period that supervisors' duties include: (1) technical competence, and (2) the capacity to be patient, to listen, and to avoid emotional upsets in workers. The program of company C included regular employee attendance, and this goal was being attained. Was this, in part, associated with attention to the interests and values of the employees and to the fact that the program was less imposed than that which employees might expect in an industrial organization?⁹

The studies reported above on the experiences of the Forest Service, the study of labor turnover, and the study of absenteeism give some evidence in support of the principle that a program will operate more smoothly if the persons involved in it cooperate in its formation and operation and if it meets their fundamental interests and desires.

Principle: *Persons are more likely to act according to suggestions received in personal face-to-face communication than to those received*

⁸Elton Mayo, *The Social Problems of an Industrial Civilization* (Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1945), Chap. 3.

⁹*Ibid.*, Chap. 5.

in nonpersonal contracts, particularly if a person is undecided on how to act. The evidence supporting this principle is the study of change of opinion on voting by Lazarsfeld, and Likert's investigation of personal solicitation as a means of increasing the buying of war bonds.

Change of opinion on voting was studied by repeated interviews—seven in all—with the same 600 Ohio persons from May until a week after the November elections of 1940. The authors reported that the study, though not conclusive, secured enough information "to indicate the importance of personal relationships as far as their direct political influence is concerned."¹⁰ Though 70 per cent of the sample made up their minds rather early in the campaign and did not change thereafter, change of opinion on the part of the remainder was influenced more by personal face-to-face conversations than by formal media of communication, such as the press or radio. People who work, live, or play together vote similarly, and part of the similarity of voting is due to the fact that suggestions on vote are made in primary relationships—personal, informal, face-to-face communication. The authors report: "In the last analysis more than anything else people can move other people."¹¹

Likert reports that personal solicitation was a highly important variable affecting the number of bonds bought by persons during World War II.¹² Following the Second War Bond Drive, a representative sample of 1800 persons was interviewed, each respondent being asked three questions: (1) had he been personally solicited to buy War Bonds; (2) how many bonds had he ordinarily bought during the number of days covered by the drive; and (3) how many bonds had he bought during the specific period of the Second War Bond Drive? Though respondents gave patriotic reasons for buying bonds and only a small percentage reported they bought because they were asked to do so, actual analysis of the data revealed that personal solicitation was a very important factor.

A comparison was made between the 25 per cent of those with incomes who were personally solicited and the 75 per cent not solicited. The question was whether these personally solicited, as compared with those not solicited, bought more bonds during the drive than they would ordinarily. It was found that 47 per cent of those solicited and

¹⁰ Paul F. Lazarsfeld *et al.*, *The People's Choice: How the Voter Makes Up His Mind in a Presidential Campaign* (New York: Duell, Sloan, and Pearce, 1944), p. 150.

¹¹ *Ibid.*, p. 158.

¹² Rensis Likert, *op. cit.*, p. 343.

only 12 per cent of those not solicited bought more bonds. This relationship between personal solicitation and increased bond buying held for every income group, every occupational group, and every geographical region.

This finding was presented to regional meetings of the War Finance Division and a published report made available to state, county, and local war bond committees in preparation for the Third War Bond Drive.

A survey after the Third War Bond Drive revealed that personal solicitation was double that of the Second Drive. Comparing the 50 per cent who were personally solicited and the 50 per cent not solicited, 59 and 18 per cent, respectively, bought more bonds than usual. Moreover, the doubling of personal solicitation of the Third over the Second War Bond Drive was followed by an almost doubling of the actual money secured from bonds sold to individuals. Likert reports, "Throughout all the bond drives, there was a close relationship between the amount of solicitation and the total amount of bonds sold to individuals."¹³

The studies of change of opinion in voting and personal solicitation as a technique to increase bond-buying support the principle that persons are moved to action more by personal face-to-face communication than by formal means of communication by press or radio.

Principle: *Prejudice toward objects are acquired without specific experience with such objects, but merely through association with persons expressing the prejudice.* This principle is supported by several studies of prejudice in the area of Negro-white relationships. Studies by Horowitz are the particular ones discussed in this paper.¹⁴

Horowitz subjected groups of children from divergent cultural backgrounds to a "ranks" test, a "show me" test, and a "social situation" test. In the "ranks" test the children were shown twelve photographs: four white and eight Negro faces. They were instructed to pick the one liked best, next best, and so on until all were chosen. In the "show me" test, the same twelve photographs were used and the children were instructed to select as many of these as they would like for companions in twelve types of situations. The "social situations" test involved thirty-nine photographic prints of various situations. The children could select pictures of activities in which all the children were white or where one was colored.

¹³ *Loc. cit.*

¹⁴ E. L. Horowitz, "The Development of Attitude Toward the Negro," *Archives of Psychology*, No. 194, pp. 1-47.

These three tests were given to 472 children from kindergarten through the eighth grade in New York City, both in all-white and in mixed schools, to a small group of communist children in New York City, and to small samples of children in urban Tennessee and urban and rural Georgia.

No differences were found in the amount of prejudice displayed in such diverse groups as those that had no contacts with Negroes except an occasional Negro cleaning woman, those that had contact with one popular Negro schoolmate, and those that had the great contact implicit in attendance at a mixed school. Neither were there significant differences between children in New York City and those in the South, or between children in urban and rural Georgia. Differences were found for the communist-trained children and others, in that the communist-trained showed no particular prejudice toward Negroes.

From the results of his various studies Horowitz formulated the principle that "attitudes toward Negroes are now chiefly determined not by contact with Negroes, but by contact with the prevalent attitude toward Negroes."¹⁵ The principle stated at the beginning of this section extended this theory to other objects than Negroes.

It is to be expected that the work of the younger social scientists and that of future social scientists will necessitate the complete discarding of some tentatively accepted principles, the modification of others, and the formulation and inclusion in the body of knowledge on social behavior of still other principles. The scientist looks forward with enthusiasm to the discovery, either by himself or by others, of new data which will necessitate and make possible a reformulation of old principles in more precise form or the discarding of some principles which have been considered true. These dynamic principles which are being subject constantly to critical review constitute the "new," "genuine," "more promising" social theory.

¹⁵ *Ibid.*, pp. 34-35.

BUREAUCRACY AND SOCIAL REFORM¹

S. M. LIPSET

University of California

Various writers and social scientists have long called attention to the fact that, in large-scale social organizations, administrative functions cannot be separated from policy-making power.² It is impossible to understand the operation of a government purely by analyzing the goals of the politicians in power, and the nongovernmental pressures on them. The members of the administrative bureaucracy, the Civil Service, constitute one of the major "Houses" of government, and as such have the power to initiate, amend, and veto actions proposed by other branches. The goals and values of the Civil Service are at least as important a part of the total complex of forces responsible for state policy as those of the ruling political party.

The political problem of the power and influence of a permanent Civil Service is not important as long as the social and economic values of the bureaucracy and the governing politicians do not seriously conflict. The problem becomes crucial, however, when a new political movement takes office and proposes to enact reforms which go beyond the traditional frame of reference of previous government activity. It is especially important today, when the explicit formal goals of many democratic states are changing from the *laissez-faire* policeman regulation of society to those of the social-welfare-planning state.³

The tradition and concept of a merit nonpatronage Civil Service developed in many countries as a result of the needs of the dominant business groups which demanded cheap, efficient, and predictable service from the state. Kingsley has shown how in Great Britain, the policy of the impartial Civil Service grew with the increase in political power of the business class.^{3a} Business men desired an efficient state which would facilitate and protect the development of commerce. Permanent, non-political officials insured continuity of government regulations and practices and made for stable relations with the state, regardless of party fortunes. The policy of the merit Civil Service was not challenged as

¹ The research data for this paper were collected on a pre-doctoral field fellowship of the Social Science Research Council.

² See Harold Laski, *Democracy in Crisis* (London: George Allen and Unwin, Ltd., 1933), pp. 99-104; Max Weber, *Essays in Sociology* ed. by H. Gerth and C. W. Mills (New York: Oxford University Press, 1946), pp. 232-233; Herman Finer, *The Future of Government* (London: Methuen and Co., 1946), pp. 12-13.

³ See J. Donald Kingsley, *Representative Bureaucracy* (Yellow Springs: The Antioch Press, 1944), pp. 287-305.

^{3a} *Ibid.*, pp. 42-72.

long as party politics remained contests between groups which accepted the basic orientation and activities of the state and society.^{3b}

The establishment of reform and socialist governments, which propose radical changes in the functions of the state, necessarily raises the problem of whether the reforms that these governments are pledged to carry out can successfully be initiated and administered by a bureaucratic structure, which is organized to regulate a different set of norms, and whose members possess different values from those of the "radical" politicians.

Since the days of Karl Marx, some socialists have maintained that a successful socialist state "must destroy the old state apparatus," that is, erect a new administrative organization. In recent times, various individuals who have served in or studied socialist or "social welfare" governments have suggested that one crucial reason for their failure to proceed more vigorously toward the attainment of their goals has been the "bureaucratic conservative" influence of permanent Civil Servants. This point has been made about the Social-Democratic governments in Weimar (Germany), the various Labor governments in Great Britain, Australia, and New Zealand, the Popular Front governments in France, and the New Deal in the United States.⁴

The validity of the hypothesis about the "conservative" role of a permanent Civil Service was tested by the author in the course of a research study of a social-democratic movement which secured power towards the end of the last war.

The Cabinet Ministers in this government anticipated "sabotage" and resistance to their plans by the permanent Civil Service. In a pre-election speech, the head of the government stated his belief that the Civil Service must be sympathetic to the objectives of the government:

It is most necessary for any government that those in charge of various departments shall be competent and capable of absorbing new ideas and techniques. No matter how good legislation is, if those in charge of administering it are unsympathetic or incapable of a new approach, little good will come of it.

The government ministers entered office ready to change key Civil

^{3b} See L. D. White and T. V. Smith, *Politics and Public Service* (New York: Harper and Brothers, 1939), pp. 132-33.

⁴ See Arnold Brecht, "Bureaucratic Sabotage," *Annals of American Academy of Political and Social Science*, (January, 1937), p. 5; Edgar Lansbury, *George Lansbury, My Father* (London: Sampson Low Masston and Co., Ltd., no date), p. 197; Charles Aiken, "The British Bureaucracy and the Origin of Parliamentary Policy," *American Political Science Review*, XXXIII (Feb., 1939), pp. 40-41; V. G. Childe, *How [Australian] Labour Governs* (London: Labour Publishing Co. Ltd., 1923), p. 16; J. Donald Kingsley, *op. cit.*, p. 274; and Leon Blum, *For All Mankind* (London: Victor Gollanz, 1946), p. 59.

Servants as soon as they showed any signs of opposition to government proposals. The ministers, however, envisaged opposition as deliberate "sabotage" and explicit defiance of government proposals. The key Civil Servants, on the other hand, expected to be discharged or demoted soon after the socialists took office. A number of them, therefore, had begun to look for other jobs or planned to retire. In the hope of maintaining their positions, however, many of these Civil Servants began to ingratiate themselves with their ministers.

Almost all of the leading Civil Servants were outwardly obsequious, flattered their ministers, and in general, did everything they could to convince the Cabinet that they were cooperative. In many departments, during the early period of the new government, the best "socialists" were in the top ranks of the government bureaucracy. The administratively insecure Cabinet ministers were overjoyed at the response which they secured from the Civil Servants. They were happy to find people in their departments who were friendly and helpful. To avoid making administrative blunders which would injure them in the eyes of the public and the party, the ministers gradually began to depend on the Civil Servants, who never criticized and knew the internal operations of the department.⁵

The failure to change key members of the Civil Service had important consequences for the future work of the government, as it was interpreted by many of the officials as revealing personal weakness on the part of their ministers and a lack of political strength on the part of the movement. The Civil Servants, soon realizing that there was no danger of being discharged, fell back into the bureaucratic pattern of maintaining the traditional practices and the equilibrium of their departments. Some Civil Servants succeeded in convincing their ministers that various proposed changes were administratively infeasible, or that they would incur too much opposition from important groups in the community. Top-ranking Civil Servants exchanged information with each other on their techniques of "controlling" their ministers. It is difficult to demon-

⁵ "[Specialist] Ministers are likely to arrive in office, not with a complete body of specific plans, but with some general principles which the departments will be asked to test against the facts before they are given the share of a concrete measure. The inevitable tendency of the departments will be, for the Minister's own sake, to minimize the break with tradition. . . . They will be passionately and laudably anxious to save him from failure. Unless they share his own outlook—and this is unlikely enough—they will want time where he demands speed, the attack on the narrow front, where his instruction is for comprehensiveness.

" . . . this attitude in the civil service is wholly compatible with the tradition of neutrality. . . . My point is the quite different one that . . . the whole ethos of the service becomes one of criticism which looks towards delay instead of encouragement which looks toward action." Harold Laski, *op. cit.*, pp. 103-04.

strate concretely, and it would be revealing confidential information to do so, but it is a fact that in conversations with others, key officials have boasted of "running my department completely," and of "stopping hair-brained radical schemes."

The resistance of top-level Civil Servants to proposed new reforms was not necessarily a result of their conscious anti-socialist sympathies. Though there were probably instances in which direct partisan sabotage of the government took place, the most significant "bureaucratic conservative" influence on the government does not appear to be a result of attempts to injure the government. Many of the leading officials appeared to be honestly concerned with doing their jobs. These Civil Servants would probably have attempted to modify schemes of conservative governments which appeared unworkable to them. The bureaucracy, however, had become institutionalized under conservative governments. Its pattern of reacting to problems had been routinized. New methods of administration were often considered difficult or "impossible" to the incumbent bureaucrat, either because they had never been tried before, or because they would require the revamping of the work of a department. By opposing such changes, the Civil Servant was only taking the easy way out of preserving the *status quo* in his own area of working and living. Harold Laski has pointed this out as a characteristic of bureaucracy in general:

In all large scale enterprise men who are desirous of avoiding great responsibility (and the majority of men is so desirous) are necessarily tempted to avoid great experiments. In a political democracy this obviously becomes an official habit where there is a . . . bureaucratic system. . . .

The tendency accordingly has been a certain suspicion of experimentalism, a benevolence toward the 'safe' man. . . . Administrative codes . . . are applied simply from the conservatism of habit.⁶

Civil Service modification of government goals took three major forms: (1) the continuation by government departments of traditional and, from the socialist point of view, "reactionary" modes of procedure; (2) changes in the intent of new laws and regulations through administrative practices; and (3) direct and indirect methods of influencing Cabinet members to adopt policies advocated by top-level Civil Servants. Each of the above statements will be documented in a larger study of the work of this government.⁷

The sources of Civil Service action cannot be found in an unidi-

⁶ Harold Laski, "Bureaucracy," in *Encyclopedia of the Social Sciences*, Volume III, ed. by Edwin R. A. Seligman (New York: The Macmillan Company, 1935), p. 72.

⁷ See forthcoming book by the present author.

mensional analysis. Civil Servants, like all individuals, do not operate in a social vacuum (though one suspects that some advocates of the "impartial" Civil Service believe that they do). Their opinions about relative "right" and "wrong" on a particular issue are determined by various pressures existing in their social milieu. A department official is not only interested in whether a minister's proposals can be effectively put into operation, but must also be concerned with the effect of such policies on the traditional practices of the department, and of the long-term relations of the department with other groups in the government and in the community. A reform which may be socially desirable, but which disrupts the continuity of practices, and inter-personal relations within the department, will often be resisted by a top-ranking Civil Servant. He is obligated to protect those beneath him in the administrative hierarchy from the negative consequences of a change in policy.

Second, and as important in influencing the decisions of government officials, is the fact that their opinion of the feasibility of any proposal is necessarily colored by their social and political outlook and by the climate of opinion in the social group in which they move. Many of the top-ranking Civil Servants are members of the upper class socially in the capital city in which they live. Their social contacts are largely with people who believe that they will be adversely affected by many socialist policies. Civil Servants cannot avoid being influenced by the predicament of their own social group. Those government officials who belong to professional or economic groups, whose power or privileges are threatened by government policies, tend to accept the opinion of their group that reforms which adversely affect the group are wrong and will not work.⁸ There are a number of examples of Civil Servants reducing the significance of reforms directed against their own groups.

The failure of this government to change the character of the top-level Civil Service precipitated a major conflict within the party between the Cabinet ministers and the majority of the non-office holding leaders of the movement. The majority of the members of the party's legislative group, the party executive, and annual convention delegates have demanded that the government replace old administrators by more sympathetic personnel. The members of these groups usually cite many examples of actions by the Civil Service which they consider to be "administrative sabotage." The attacks on the Cabinet by the rest of the party has gradually forced the Cabinet to modify its public position on

⁸ See Max Weber, *op. cit.*, p. 234.

the question, and in the last two years it has accepted the principle of a partially politicalized bureaucracy and has appointed a number of sympathetic experts to leading positions in the administrative apparatus.

Many of the new "radical" Civil Servants have suggested new policies or specific means of carrying out over-all government policy which would probably never have been proposed if policy formation had been left to the Cabinet and the permanent Civil Service. The ministers did not have the technical knowledge to suggest needed changes in their own field, and the old Civil Servants were not imbued with the social-democratic values of finding means to reduce the wealth and power of private-interest groups and of using the agencies of the government to increase the standards of living of the people. In at least two departments the differences in orientation of the new and old Civil Service resulted in the two groups engaging in a covert struggle to determine department policy. The permanent Civil Servants in these departments repeatedly brought their ministers into contact with representatives of the more conservative groups in their field, whereas the new Civil Servants encouraged supporters of reform to visit the minister and impress him with the widespread public support for changes. Examination of the work of many government departments makes it apparent that there is a direct relationship between the extent and vigor of reform, and the degree to which the key administrative positions in a department are staffed by persons who adhered to the formal goals of the government.

In recent years many individuals have become concerned with the problem of "bureaucratic domination" in large-scale society. The justified concern with the dangers of oligarchic or "bureaucratic" domination of social organization has, however, led many persons to ignore the fact that it does make a difference to society which set of "bureaucrats" controls its destiny. To suggest, as many social scientists have, that trade unions, co-operatives, corporations, political parties, and states are large social organizations which must develop a bureaucratic structure in order to operate efficiently still leaves a large area of indeterminate social action for a bureaucratically organized society. No matter how structured a situation, every individual and group acts somewhat differently within it, as determined by his past background and present social pressures.

The emphasis on a single theory of bureaucracy has been encouraged by the lack of a sociological approach on the part of political scientists working in the field of governmental bureaucracies. For the most part,

they have not raised questions about the social origins and values of government administrators and about the relationship of such factors to government policy.⁹ The determinants of the role played by the Civil Servant in affecting government policy are analyzed largely on the bureaucratic level; that is, the actions of the bureaucracy are explained in terms of the self-preservation and efficiency goals of the Civil Service. These interests may be defined in terms of prestige and privilege, preservation of existent patterns of organization or relationships within a department, or maintenance of department traditions and policies. There is as yet little formal recognition that the behavior of a governmental bureaucracy also varies with the nongovernmental social background and interests of those inhabiting the bureaucratic structure. Members of a Civil Service—like members of the judiciary, trade-unions, or business corporations—are also members of other nongovernmental social groups and classes. Social pressures from the multi-group affiliations and loyalties of individuals will determine their behavior. The behavior of an individual or group in a given situation cannot be considered as if the individual or group members had no other life outside of the given situation one is analyzing.

A permanent governmental bureaucracy which is part of or loyal to a minority social group can be an effective check against social reforms desired by the majority in a period of changing social values such as the present. There is no simple solution to the dilemma of keeping government administration efficient, as well as responsive to the will of the electorate. The increase in the power, functions, and sheer size of modern government necessitates the search for some means of controlling the bureaucracy. It is utopian to think that the electorate's changing the inept politician who formally heads the bureaucracy will by itself change the course of the activities of the government. As Max Weber stated:

The question is always who controls the existing bureaucratic machinery. And such control is possible only in a very limited degree to persons who are not technical specialists. Generally speaking, the trained permanent official is more likely to get his way in the long run than his nominal supervisor, the Cabinet Minister, who is not a specialist.¹⁰

⁹ For two studies by sociologists which deal with this problem, see Reinhard Bendix, *Higher Civil Servants in American Society* (Boulder: University of Colorado Press, 1949), and Philip Selznick, *T.V.A. and the Grass Roots* (Berkeley: University of California Press, 1949).

¹⁰ *The Theory of Social and Economic Organization*, translated by Talcott Parsons and A. R. Henderson (New York: Oxford University Press, 1947), p. 128.

A PARTIAL ANALYSIS OF 2386 DIVORCES GRANTED IN MULTNOMAH COUNTY (PORTLAND), OREGON, DURING 1942

LAWRENCE S. BEE

Utah State Agricultural College

Residents of the Pacific Coast often hear the divorce-marriage ratio of Multnomah County, Oregon, cited as a typical example of the divorce trend on the Coast. The proportion of divorces to marriages in Multnomah County has been high for years (Table 1), but this high ratio is characteristic neither of Oregon nor the West Coast.¹

Some light has been cast on this non-standard divorce area through the effort of Judge Donald E. Long of the Court of Domestic Relations, Multnomah County. During 1942, Judge Long kept a personal diary in which selected comparable data were recorded on each of 2386 cases he heard. These data he made available later to the writer. A 50 per cent sample of the cases was taken as they appeared in the diary, and tabulation was made on Hollerith equipment.

Table 1

Year	Multnomah County		Per cent
	Number of Marriages	Number of Divorces	
1938	2188	1398	63.8
1939	1978	1584	80.0
1940	2034	1672	82.2
1941	2815	1967	69.8
1942	3365	2386	70.0
1943	3191	3190	99.9
1944	3280	3747	114.2
1945	4129	4353	105.4

Source: Oregon State Board of Health, Division of Vital Statistics.

States in Which Divorced Couples Were Married.—Three-fourths of the marriages took place in Washington and Oregon—twice as many in Washington as in Oregon, 51 and 27 per cent, respectively. Three per cent were married in California and Idaho, respectively; 5 per cent in the east, southeast, and other states, together.

Two circumstances are involved: namely, some Oregon couples were married in Washington and divorced in Oregon; some Washington couples were divorced in Oregon. Let us consider the latter first.

¹The number of divorces per 1,000 population in 1939 was lower in Oregon than in any other state on the Pacific Coast, with the exception of New Mexico. *Statistical Abstract of the U. S. Bureau of the Census* (1943).

It cannot be presumed that the high proportion married in Washington represents migration to a lenient state for the purpose of divorce; but, possibly, to a convenient state. Folsom's assumption based on Cahen's study that "migration to lenient states is a mere trifle"² may be valid even in this instance, widespread opinion in the northwest to the contrary. Vancouver, Washington, with its adjacent industrial areas, is directly across the Columbia River bridge from Portland. Many residents from southern Washington drive to Portland for different kinds of services. It is possible that this area has been a functional part of metropolitan Portland for the purposes of marriage and divorce. A couple could establish legal residence in Oregon without changing jobs. Declaration of legal residence in Oregon for the purpose of divorce, with actual residence in Washington, easily could be done. Figures on "legitimate" inter-state migration would cast but little if any light on this particular area.³

It appears to the writer that a possible factor is the "migration" to Oregon for the purpose of divorce—that is, to Portland for another "service," sometimes with a false declaration of legal residence in Oregon. This speculation may serve as an hypothesis to be tested in a much-needed case study.

The other aspect of the high divorce-marriage ratio is the fact that in the past a considerable number of Oregonians have gone "across the bridge" (Columbia River to Vancouver) to obtain marriage licenses. Until recently Oregon's marriage laws were less liberal than Washington's, whereas the divorce laws in Oregon were more liberal. Oregon's marriage laws compelled physical examination and several days' delay. It was an easy matter to drive to Vancouver to get married.

Though this might be a ready explanation why Oregon couples went to Washington to get married, this writer feels that more is involved. Washington's marriage laws now are as tight as Oregon's, but Multnomah's divorce rate is proportionately higher now than it was before Washington passed its "gin marriage" law. Obviously, the change in

² Joseph K. Folsom, *The Family and Democratic Society* (New York, 1943), pp. 503-05.

³ There were 452,088 persons living in Multnomah County in 1944. Forty-six thousand had migrated into the Portland-Vancouver area (comprising Multnomah, Clark, Washington, and Clackamas Counties in Oregon) from 1940-1944. When one considers that some of the immigrants were of non-marriageable age and that this number came into a four-county area, the proportion of potential divorce cases would be small compared to the total population of Multnomah County. Bureau of the Census Bulletin, Series Ca-3, No. 6, p. 13.

Washington's laws had made little difference in the presumed direction.

The situation illustrates the inadequacy of the crude rate and suggests that marriage and divorce trends can be judged only after comparing them with the married population residing in a given area. Thus, the crude rates from atypical counties on the West Coast must be interpreted with caution.

Length of Time Between Marriage and Divorce.—The greatest number of divorces took place during the first year of marriage, 12 per cent. From the second to the sixth years, inclusive, the decline was steady but not marked. There was a significant drop after the sixth year, followed by a steady decline until the fortieth year after marriage. About one divorce in a hundred occurred after forty years of marriage.

This distribution approximated the distribution showing probabilities of divorce for the first thirty years of marriage projected by Cahen.⁴ Two differences occur. Cahen's figures (1928) show the greatest incidence of divorce to be around the third year of marriage, with sharper declines after the fifth and seventh years. In Multnomah County, marriage was most vulnerable during the first year, with a sharper decline after the sixth. An analysis of 425 cases heard and granted by Judge Long in January of 1946 showed again the first year to be the highest, with marked declines after the fourth and fifth years.

In 1867-86, for the whole United States, the seventh year was the year of greatest frequency of divorce. In 1940, it was about the fourth year. Should this study prove to be more representative than it now appears, marriage will be most vulnerable to divorce during the first year.

An attempt was made to determine from the data available what factors might be associated with the early divorce group (those couples married from one to six years) that would differentiate them from the late-divorce group (those married twenty years or longer). Proportionately, many of the early-divorce group were married in Washington—three out of five compared with one out of five married in Oregon. Further, only 3 per cent of the early-divorce group were married in the midwest, compared with 20 per cent of the late-divorce group.

Comparing the two groups further according to grounds for divorce, three-fifths of the early group charged cruel and inhuman treatment and mental abuse (one ground); less than one case in six, desertion. Among the later-divorce group, desertion was significantly more frequent—two-

⁴ Alfred Cahen, *Statistical Analysis of American Divorce* (New York: Columbia University Press, 1932), p. 112.

fifths of the group, and about equal in incidence to the charge of cruel and inhuman treatment and mental abuse.

One in four of the early-divorce group reported one or more children; one in twenty had more than one child; virtually none had more than two children (less than one per cent). Of the later-divorce group, three out of four had one or more children; two-fifths had two or more.

It is reasonable to assume that the divorce group most recently married was younger, less subject to the marriage mores. The majority were married in Washington, thus perhaps a more mobile group. They were more decisive in terminating marriage rather than letting it drift into desertion. They seemed less inclined to have children, but the age differences here make this assumption dubious. Though these assumptions are based only on indirect evidence, they do have some empirical support and might be presumed to characterize these more recent divorce cases.

Grounds for Divorce.—Over half of the cases were granted on the grounds of "cruel and inhuman treatment and mental abuse" (one ground). One case in four was desertion, 23 per cent; one case in six, "cruel and inhuman treatment and mental abuse and physical abuse," 17 per cent. The other grounds of insanity, adultery, and "other" grounds, including annulments, made up less than 2 per cent of the total cases.

Judge Long is of the opinion that there is little relation between the grounds for divorce and the "causes" underlying the cases he heard. Whatever the selective factor may be in the choice of legal grounds, it was not suggested by these data after cross tabulation with other factors available. The great majority of the cases might more descriptively be designated as "incompatible."

It is of interest to note that no case was granted on the ground of adultery, despite the fact that liquor and/or "another person" was mentioned during the hearings in two-fifths of the cases. Liquor was mentioned by one in five, "another" by one in eight. About one couple in twenty mentioned liquor and "another person." This suggests that the bases for legal complaint may be becoming less social and moral and more personal than formerly.

Children Involved.—Three-fifths of the cases were childless marriages, 61 per cent. This is about the same proportion as obtained in a national study of divorce by Cahen in 1928 and by Mowrer in 1919.⁵

⁵ Ernest R. Mowrer, *Family Disorganization* (Chicago: University of Chicago Press, 1927), p. 73.

One family in five listed one child, 21 per cent; one in five, two or more children, 18 per cent; two in a hundred listed four children; fewer than 1 per cent listed five or more.

About two-fifths of the children were of pre-school age; a sixth in the primary grades; three-tenths in adolescence; a sixth 21 years or older. A total of 1406 children were listed, an average of less than one child for each couple.

Wives as Complainants.—Wives were the complainants in four-fifths of the divorces granted. It is the opinion of Judge Long, based on evidence brought out in the hearings, that this does not mean that the husbands were the major offenders in so large a proportion of the cases.

A high proportion of the cases were uncontested, suggesting collusion—that is, divorce by mutual agreement, which is illegal in Oregon.

HUMOR AND MORALE IN INTERNMENT CAMPS

ALVIN H. SCAFF

Pomona College

Morale is increasingly recognized as a significant aspect of human action wherever man lives under stress. This discussion of morale is oriented to wartime conditions, but it deals with issues that are important in other areas of group relationships. As long as peace is threatened by war, as long as labor-management problems exist, as long as teachers try to impart knowledge to reluctant students, we must be concerned with morale. For morale involves the qualitative aspect of the responses of individuals and groups in situations that bring forth either their best efforts or result in their disorganization. A situation which is met with courage and group cohesion indicates the presence of high morale, whereas a response of discouragement and disintegration of group life indicates a lack of morale.

Morale, although subjective, is real and is universally indispensable. It indicates the successful adjustment of a group to its situation; it is also a dynamic factor which aids in bringing about adjustment. Morale is related to the culture of a people, but is not identical with culture. Morale indicates strong motivation toward support of the group and the group's ideals. It is a necessary ingredient in success in the face of odds and is even more necessary in saving the group from the crushing effects of defeat. The ability of people to endure hardship is perhaps the clearest indication of high morale.

That morale is a valuable weapon was amply demonstrated during the last war. All sides struggled to maintain their own morale and at the same time to deflate the morale of the enemy. Leaders became rallying points for the loyalties of their followers, but they were also scapegoats in terms of which the opposing side achieved unity and stronger morale. Thus, Tojo, as a symbol, served to strengthen the morale of the Japanese; also, as a symbol of hatred to the Americans, he helped to strengthen the opposition. Morale is produced quickly and easily where the group focuses its attention on a symbol of the opposition that threatens the group's existence. The internees, for example, bolstered their morale by making jokes at Japanese expense.

In view of the importance of morale to the adjustment potential and the survival possibilities of groups, every society should be interested in reviewing its own resources for high morale. One way in which to discover these resources is to study the group, or a sample of the

group's members, while they are subjected to an experience so severe and terrible that the utmost ingenuity and fortitude is necessary for survival. Under these circumstances the observer can discern the elements that go into the making of the group's morale as well as note the weaknesses in the group's response to stringent circumstances. The internment camps provided an excellent laboratory for the study of morale. The civilian internment camps in the Philippines were especially useful in this analysis, because they contained a cross section of people of widely divergent ages, of both sexes, and of various occupational and religious backgrounds. The civilian camps were better than the military prison camps for this purpose, inasmuch as the civilian camps more nearly approximated a normal community population.

My knowledge of internment stems first from personal experience and from first-hand observation of the reactions of other internees. I was interned in two of the civilian internment camps in the Philippines during the last thirteen months of the war. Prior to that time I had been in hiding in the hills of central Negros Island and had been imprisoned for two months in Japanese Army jails. Secondly, these personal impressions have been revised or supported by more objective data in the form of diaries, reports written by internee committees and internee officials during the course of internment, official camp records, and interviews of ex-internees. This second source of information was collected during the three years after internment through a visit to the Historical Records Section of the Adjutant General's Office in Washington, through numerous letters to ex-internees, and through interviews with many ex-internees. The data pertinent to humor and morale serve as a basis for this report.

Morale arises as a defense against the threat of the destruction of an individual or a group. In the internment camps the threats which gave rise to morale were of several varieties. First, the subjection of the internees to the authority and whims of the Japanese was a threat to the superior status of the white man in the Orient. Second, the social status of groups within the white world was challenged by the necessity of unsegregated and communal living arrangements. Third, the sense of respectability of the internees was threatened by the crowded living quarters, mass feeding, lack of privacy, and shortage of clothes. Fourth, through restricting his freedom and forbidding him to see newspapers or hear radio reports, the Japanese tried to isolate the internee and to

destroy his belief that America would win the war. Finally, the very existence of the internees was threatened by starvation.

Although the challenge to the existence of a group and to the group's customary social status provides the occasion for the development of morale, it does not explain that morale. What positive factors were significant in the internees' struggle to resist discouragement? Several were important: patriotism, American optimism, news and rumor of the progress of the war, religious faith, and a sense of humor. Here I wish to discuss only humor as a morale-maintaining mechanism. My purpose is to demonstrate the functional relation of humor to the maintenance of morale.

Internee humor took three forms: anecdote, parody, and cartoon. In each form the content of the humor was provided from the life of the camp. The light-hearted joking with which we are familiar in everyday life or in commercial entertainment was conspicuously absent. Internment camp humor reflected a somber tone and served a purpose more serious than mere amusement.

The responses of children to the demands of internment living provided many healthy laughs for the interned adults. In school one day a picture in the primer provoked this conversation:

"This boy's daddy is taking him to a carpenter shop," Philip explained.

"What's this?" asked the younger child, pointing to a picture in the margin.

"That's a hammer, and this is a saw."

Then the other lad remembered something. "Where are the nails?" he asked.

And not being able to imagine a country where stores sold nails, Philip quickly responded, "Oh, he'll loot the nails."¹

Two parents were discussing the house they would have in America when the war was over, when their three-year-old son interrupted, "And, Mummy, can I keep all the boxes under my bed?"

In Santo Tomas the young children lived with their mothers in the Annex, while the older boys and men resided in the Main Building. One day a little boy burst forth with this gem: "Mummy, when I grow up, can I go live with Daddy in the Main Building?" Interned parents never tired of telling these incidents because they produced laughter at the very point where the obligations of rearing children in an internment camp had generated severe tensions.

One day the Japanese taking roll call at Los Baños congregated on a corner of the road near one of the barracks. As they waited for the count

¹ R. H. Eldridge, *Bombs and Blessings* (Washington, 1946), p. 184. The incident took place at Los Baños.

to be completed, they smoked cigarettes and threw the butts to the ground. When the signal was given for the end of the roll call, several internees dashed over to pick up the cigarette butts. They laughed about this, and their laughter made it possible for them to stoop to such behavior. Without the perspective on internment life indicated by the laughter, the American internee could not have brought himself to smoke a discarded Japanese cigarette. Humor and adjustability and high morale go together.

Internees chuckled over the patches they wore, their jumbled rooms, and the lines they perpetually joined. "When I get out of here," one internee said, "I'm going to have the servants and the family line up all day in front of the bathroom. That's the only way I'll feel at ease."²

The common experiences of internment living were humorously written into parodies sung to popular tunes by a Glee Club at occasional camp gatherings. Here is the second stanza sung to a chorus from *Pinocchio*:

Oh, hi diddle dee dee!
I am an internee.
I till my garden every day,
I need the workout anyway.
Hi diddle dee doo
I'm glad when work is through.
My cheeks are brown and my teeth are white,
I have a marvelous appetite.
It goes to bed with me every night—
I am an internee!

Cartoons drawn by internees were effective in picturing some of the absurdities of the camp's life and in saving the internees from too narrow a concern with their own plight. Some of the drawings were posted on bulletin boards; others were passed around among the internees. Cartoonist McCall during the early days in Santo Tomas pictured two men at a table. One, shirtless and barefooted, is picking his toes, and remarks, "Lots of nice people here, once you get to know them." The other man, fully dressed even to necktie and monocle, is eating lunch and retorts, "Really!"³ An early edition of the mimeographed paper in Santo Tomas, called the "Internitis," pictured three men seated before bowls of mush and underneath this inscription, "See no weevil, think no weevil, eat no weevil." One of the best cartoons showed two men in patched shorts leaning on their hoes in the camp garden. One internee states emphatical-

² Russell Brines, *Until They Eat Stones* (New York, 1944), p. 165.

³ James E. McCall, *op. cit.*, Plate XXVI.

ly to the other, "I always have said, and I still say, we'll be out of here in ten days."⁴ This was the spirit of the American internee, often unrealistic, but stubbornly optimistic and hopeful.

The Santo Tomas internees hit upon a unique way of announcing the news and rumors that circulated through the camp. The practice was to awaken the internees each morning by playing a record over the public address system. The titles of the songs were carefully selected to convey a message to the internees. For example, the morning following the rumor that Hitler had been assassinated, the record was "Ding Dong, the Witch Is Dead." Following the announcement that the Japanese Army would take charge of the internment camps, the internees were awakened to the tune of "Who's Afraid of the Big Bad Wolf?" When the Japanese announced that they were to take up all the money of the internees for deposit in the Bank of Taiwan, the wake-up tunes were "I Got Plenty of Nothing," and "I Can't Give You Anything but Love, Baby."

James L. Ford has said that humor "is founded on the deathless principle of seeing someone get the worst of it."⁵ This statement is especially appropriate to the internment situation and to internee-Japanese relations. The conflict between Japanese and Americans that conditioned all other aspects of internment life was reflected also in camp humor. Anything that made the Japanese look ridiculous was humorous to the internees—for example, the Japanese report that they controlled the Hawaiian Islands, had occupied San Francisco and New York, and had landed a naval task force in Wyoming.

Because the internees were powerless to do anything openly to detract from the majesty of the Imperial Japanese Army, they had to resort to subtle means of restoring their sense of superiority over their Japanese guardians. Near the end of internment at Los Baños the Glee Club sang parodies with veiled allusions to war developments. The internees, of course, were not supposed to know the war news; however, news and rumors, sometimes indistinguishable, circulated constantly through the camps (the sources being a secret radio inside the camp and notes smuggled in from the outside). With Japanese present in the audience, the Glee Club daringly sang of the coming of our forces in a parody on "She'll Be Coming Round the Mountain." The reference to Makiling is to a mountain just west of the Los Baños Internment Camp:

⁴ *Ibid.*, Plate L.

⁵ Quoted by John H. Burma, "Humor as a Technique in Race Conflict," *American Sociological Review*, XI (1946), 710, from Milton Wright, *What's Funny—and Why* (New York, 1934), pp. 6-8.

They'll be coming o'er Makiling when they come,
They'll be coming o'er Makiling when they come,
They'll be coming o'er Makiling
And we'll lose that empty feeling,

We will lose that empty feeling when they come.

Then the parody forecast what the internees would do to the Japanese when the tables were turned. These "guardians" and "friends" would be inflicted with the same treatment that had been meted out to the internees: a diet of soft, pasty rice called lugao, and internment in Barracks 20, the worst in camp with a dirt floor and a limited supply of water.

One of the cleverest parodies, sung to the tune of "Oh, No, John" is a satire on the presumably accurate news possessed by the Japanese guard and the presumed ignorance of the internee. After the Japanese guard has given negative answers to all questions concerning the progress of the American forces, the parody comes to this conclusion:

Well, since there will be no invasion,
And since you have crushed us so,
Since this war is won and over,
Sentry, will you let us go?

Chorus:

Oh, no, John! no, John! no, John, no!

It helped internee morale tremendously to be able to laugh at the Japanese in their presence without their detecting the veiled references.

Humor in the form of cartoons, or parodies, or stories retold around the camp appreciably helped in maintaining morale. Although sometimes strained and often containing a serious note, humor was never completely lacking in the internment camps. The internee was rescued from the misery of his present circumstances through laughter at the absurdities of the situation. Humor helped to provide that necessary element in high morale which Kurt Lewin has called "time perspective."⁶ Groups and individuals lose morale when they live in the past, or when their reactions are wholly confined to the context of the present. The function of humor among the internees was to help them gain perspective. Through humor they were able to transcend the present and to live in hopes of the better life that awaited rescue. The ability of Americans to laugh when their way of life is challenged and when life itself is threatened constitutes a bulwark against low morale and should be considered an important constructive factor among the nation's human resources.

⁶ Kurt Lewin, "Time Perspective and Morale," in G. B. Watson, editor, *Civilian Morale* (New York, 1942).

PRIMITIVISM, AUTHORITY, AND "HUMAN RELATIONS"¹

REINHARD BENDIX

University of California, Berkeley

The current vogue of the "Human Relations approach" in industrial sociology provides us with an ideal case study in the sociology of knowledge. I venture to guess at the results of this case study. The persons responsible for this approach are primarily anthropologists, and secondarily other social scientists who are strongly influenced by the anthropological perspective.²

What is the effect of this perspective? (I) The modern factory is regarded as a social system. (II) Co-operation between management and labor is primarily a problem of communication; the task is to discover what the obstacles to communication are and how they can be removed. (III) The goal of modern civilization (and hence of the modern factory) is the establishment of a social equilibrium.

I.

Many sociologists have devoted themselves under Mr. Mayo's inspiration to investigate the social conditions of human co-operation. In a little-known pamphlet, which Mayo wrote in Australia in 1919, we find the following statement:

Cooperation can only be the result of spontaneous growth (not of rules and regulation). . . . Collaboration in the complex purposes of civilization is the mark of social health; any ideal which aims at less than this is dangerous. Civilization has passed beyond 19th century individualism to 20th century class rivalry. Its capacity to survive depends upon its capacity to achieve a social condition that will subsume castes and classes under a community of interests and purpose.³

The prototype of this co-operation is to be found in the primitive tribe, where "each member knows his place and part although he cannot explain it."⁴ Today, we have moved away from this type of co-operation,

¹ I am aware that the "Human Relations approach" has been criticized by others. Unlike these others, I have been concerned with an evaluation of the conceptual framework of this approach. A more extended treatment along these lines is contained in a forthcoming article by Reinhard Bendix and Lloyd Fisher, "The Perspectives of Elton Mayo," *Review of Economics and Statistics* (November, 1949).

² Consider, for example, how many scholars prominent in the human relations field could be enumerated if we take as our point of departure Elton Mayo's reference to Warner's study of Newburyport in his *Human Problems of an Industrial Civilization* (Boston: Graduate School of Business Administration, Harvard University, 1946). The following names suggest themselves: Warner, Gardner, Kimball, Arensberg, Homans, Davis, Whyte, Henry, Low, Lunt, Chapple.

³ Elton Mayo, *Democracy and Freedom* (Melbourne: Macmillan and Company, 1919), pp. 48-50.

⁴ Mayo, *Human Problems*, pp. 179-80.

and hence the individual worker feels out of touch with his fellows and without a sense of social function. Because we cannot restore the "cake of custom" which governed individual action in primitive society, we may wonder how co-operation in the factory is to be conceived in terms of this analogy.

Once we think of the factory as an analogue to the primitive tribe, our problem is solved. All participants agree on the objective of their joint efforts: increased production. The proper functioning of the tribe and the factory is indicated when the individual accepts the goals of the group. Efficient production becomes a synonym of social health. Restriction of output, antagonism towards management, work stoppages, and other behavior "disorders" indicate that the social system is diseased. Removal of such symptoms presages a return to a "proper" functioning of the social system. How is this view applied in the interpretation of the Hawthorne studies?

The basic index used in these experiments was the rate of output. Nobody is likely to quarrel with an index. But though the rate of output can be objectively measured, it can be interpreted only in terms of a specific frame of reference. Accordingly, an increase in output was regarded as evidence of improved co-operation; decreasing output shows its deterioration. It is hard to detect at what point these equivalences slide over into the assertion that co-operation and high productivity are synonymous. Yet, however elusive the transition, that it was accomplished is best seen in Mayo's inference that the co-operation of workers in the work shop or in trade unions is evidence of social disorganization. Such an inference is possible only on the basis of a prior identification of social health with the co-operation which results in high productivity. It seems plausible to equate these terms with one another once we look at the factory as a social system, because the goals of this system are defined by management. But this involves the *pars pro toto* fallacy which interprets labor-management co-operation as if it were the same as co-operation in general. Hence, if workers do not cooperate with management, social disintegration has set in. And the analogy to the primitive tribe is not wanting:

Whether as anthropologists we study a primitive race or as industrialists we study some part of the modern complex and chaotic scheme, we find, either in the natural wilds or in the modern city, groups of individuals who find their happiness and such sense of personal security as may be in the subordination of an individual

to a common interest. The solitary who works alone is always a very unhappy person.⁵

How was it accomplished that the individual worker subordinated himself to the "common interest" in high productivity? The output of the five girls in the Bank Wiring Room was high throughout the experimental period, although not right at its beginning. T. N. Whitehead has pointed out that the prestige of the experimental group and the individual worker's identification with it were largely responsible for this result.⁶ And Fritz Roethlisberger has pointed out that this result was achieved by altering "almost all the practices common to the shop."⁷ That is to say, the individual worker subordinated herself to the managerial goal of higher productivity only under circumstances which gave her prestige and personal satisfaction. But to achieve this result, all the common practices of the shop had to be altered. To think of this work-group as the model for ideal labor-management relations in the whole plant makes as much sense as studying a native African family on an exhibition tour as satisfactory evidence for an understanding of their tribal culture. The small work-group may be a social system, but under ordinary working conditions it is connected with the enterprise by the principle of authority used to organize production throughout the factory. By itself the small work-group may be a social system, but by itself it is an industrial absurdity. How can Mr. Roethlisberger be sure that he was still studying industrial relations, when his experiment required that the common practices of the shop be altered in order to obtain the wholehearted co-operation of the experimental group?

II.

The industrial sociologists at the Harvard School of Business (and elsewhere) are not ignorant of the role which authority plays in the organization of production. Although they ignored its importance when they studied the small work-group, they reintroduced it when they applied the lessons learned from this experiment to the larger problems of labor-management co-operation. The evidence showed that workers would co-operate (that is, produce more) when personal attention had restored

⁵ Elton Mayo, *The Political Problem of Industrial Civilization* (Boston: Graduate School of Business Administration, Harvard University, 1947), p. 21. Note the all-or-none alternative: either one subordinates himself to a common interest, or one will be solitary and unhappy.

⁶ *The Industrial Worker* (Cambridge: Harvard University Press, 1938), I, 254.

⁷ *Management and Morale* (Cambridge: Harvard University Press, 1944), p. 14.

to them the sense of their social function. It seemed to follow that management has the job of accomplishing this. Hard words have not been spared in pointing out to industrial managers that they have failed in this respect. It is somewhat curious that this seems to be the first case on record in which businessmen have accepted such criticism in good grace, coming though it does from social scientists, who are not otherwise known to be respected in the business community. The reason for this anomaly is, I believe, not hard to find.

Mr. Roethlisberger has stated that managers must keep the channels of communication free and clear, so that the bottom of the organization gets to understand the economic objectives of the top, and the top understands the feelings and sentiments of the bottom.⁸ The social system of the factory will succeed or fail as a result of managerial efforts to facilitate downward and upward communication. It is within their power, therefore, to resolve the industrial conflicts of our time:

The world over we are greatly in need of an administrative elite, who can assess and handle the concrete difficulties of human collaboration. As we lose the non-logic of a social code, we must substitute a logic of understanding. If at all the critical posts in communal activity we had intelligent persons capable of analyzing an individual or group in terms of first, the degree of logical understanding; second, the non-logic of social codes in action, and third, the irrational exasperation symptomatic of conflict and baffled effort; if we had an elite capable of such analysis, very many of our difficulties would dwindle to vanishing point.⁹ This is indeed a challenge which business executives may find inspiring. If the industrial sociologists find many managers wanting in these skills, they leave little doubt that management has both the ability and possibility of settling industrial strife by improving communication throughout the plant. And executives may find this assessment of their function especially reassuring, inasmuch as they are told that by attending to the sentiments and feelings of the workers they may be able to enlist their "spontaneous co-operation."

It fact, they are told that management cannot exercise its authority without the implicit consent of the workers. Chester Barnard has defined authority as "another name for the willingness and capacity of individuals to submit to the necessities of co-operative systems."¹⁰ What are the ne-

⁸ Cf. Roethlisberger, *Management and Morale*, pp. 192-93.

⁹ Mayo, *Human Problems*, p. 185.

¹⁰ *The Functions of the Executive* (Cambridge: Harvard University Press, 1942), p. 184. It is instructive also to cite here a quotation from Major General James G. Harbord, which Barnard apparently endorses as expressing his view: "... the greatest of all democracies is an Army. Discipline and morale influence the inarticulate vote that is instantly taken by masses of men when the order comes to move forward . . . , but the Army does not move forward until the motion has 'carried.'" *Ibid.*, p. 164.

cessities of the co-operative system of the factory? They are defined by management in terms of the steps necessary for increased production. If management defines what is necessary for co-operation, as it must, then we easily get authority without the willingness of the worker to submit. He may submit unwillingly, if he does not care to get fired. But whether willingly or not, business executives are reassured that none of their orders can be effective unless they meet with the worker's consent. Perhaps it is the manager (rather than the worker) who is pleased to hear that his every-day orders are obeyed, not because he has authority but because he has been able to elicit consent. It is, of course, plausible that managers might want to mitigate the harshness of industrial discipline. But it is disingenuous to assert that their authority is consent, that improved communication is the cure-all for industrial conflict, that workers only co-operate when they co-operate with management, and that our civilization will spin itself to doom and destruction (to paraphrase Roethlisberger) if they do not.

III.

It seems to me that the basic frame of reference in the human-relations approach consists of a series of question-begging propositions. All this could be avoided if industrial sociologists would forego the pleasure of speculating about civilization and make explicit acknowledgment of their own position within that civilization. The fact is that they have accepted the goals of industrial managers as their own, and that they give these goals the aura of science by treating the factory as a self-contained social system whose equilibrium is to be preserved. By equating a well-functioning factory with social equilibrium and even with the survival of civilization, they have surrounded certain useful observations about the behavior of people in large-scale industry with a pretentious and misleading ideology. That this appeals to business executives is certainly not an argument against it. But that it hides the evaluations basic to the human-relations approach is unfortunate.

An explicit statement in this respect would enhance the scientific value of these studies. It would reveal that men like Mayo prefer co-operation to conflict to the extent of identifying civilization with the first, and its decline with the second term. This preference prevents them from examining the conditions and results of the co-operation which they so ardently seek. That is, they take increased production as the only basis of co-operation and they take for granted that the elite of industrial managers

has the power to restore the "social equilibrium" of our society. They fail to question whether industrial managers either can or should have such power, whether a "social equilibrium" on their terms is worth having. And in their eagerness to advocate one solution they have failed to notice a major obstacle. It could be that managers frequently fail to obtain the co-operation of their workers for reasons other than ill-will, short-sightedness, or defective communication. It could be that workers want to co-operate on different terms, as Professor Hart has recently suggested.¹¹ Instead of analyzing the preoccupations and ideologies of workers and managers as indicative of social pathology, it might be better to view them as human responses to the institutional pressures of modern large-scale production. Perhaps because of its fear of conflict the Mayo school underestimates the difficulties of human co-operation. Otherwise, they would not dismiss so readily instances of co-operation of which they disapprove.¹² And they would give more weight to the obstacles to communication if they did not think that they can remove these obstacles through an improvement of communication.

It is an ironic commentary on the organismic view of society that studies guided by it will tend to neglect the trained incapacities of workers, managers, and social scientists.

¹¹ C. W. M. Hart, "Industrial Relations Research and Social Theory," *Canadian Journal of Economics and Political Science*, XV (Feb. 1949), pp. 53-73.

¹² Cf. Mayo's views on trade unions and on government action in *Human Problems*, pp. 164-67, 172-85. See also his *Social Problems of Industrial Civilization* (Cambridge: Harvard University Press, 1947), Chapters I and II.

THE FRAME OF REFERENCE OF WARD'S DYNAMIC SOCIOLOGY

JOHN M. FOSKETT

University of Oregon

The purpose of this analysis is to identify and define Lester F. Ward's frame of reference or point of departure and to reconstruct the problem as it existed for him. It will be seen that, rather than developing a body of principles with the primary objective of explaining a class of phenomena, Ward was engaged in formulating an extensive argument to support a pre-conceived policy. His principles, when fully formulated, constituted a rationale for social action as opposed to the policy of *laissez-faire* and not a body of knowledge to make such action possible.

Ward very early evidenced a strong interest in education and social reform, the former being the means to the realization of the latter. At the same time he had read extensively in the field of natural science and had become imbued with the idea of a basic opposition between reason or science, on the one hand, and superstition or dogma, on the other, as a guide for human behavior. His conviction that science must replace dogma or religion began to take definite form when, in 1869, he was instrumental in the organization of the National Liberal Reform League. A principal activity of the League was the publishing of a journal, the *Iconoclast*, of which Ward was editor and principal contributor.

The announced purpose of the League was significant: ". . . the dissemination of liberal sentiment; the opposition to all fallacious moral and religious doctrines, and the establishment of the principles of mental, moral and religious liberty, . . ."¹

Ward's first editorial was entitled "The Situation,"² in which he depicted a current struggle between science and religion, the latter being charged with actively opposing the development of science and seeking to keep the human mind in bondage. A series of subsequent editorials constituted a persistent campaign against the asserted evils and bigotry of the Church. In contrast to the irrationality of religion, Ward persistently pointed to the laws of nature as revealed by science as the appropriate basis of human amelioration.

During the first year of the *Iconoclast*, Ward read Mill and thus became acquainted with the basic ideas of Comte and the principles of Positivism. Perhaps as a result, he began to think more and more in terms of

¹ "Circular of the National Liberal Reform League," in *Glimpses of the Cosmos*, Vol. 1 (New York, 1913), p. 39.

² *Glimpses of the Cosmos*, Vol. 1, pp. 42-46.

the possibilities of science rather than the limitations of religion. Ward was aware of the shift in emphasis and, in April, 1871, announced he would no longer seek to "combat error" but would destroy it by substituting scientific truths.³ This was a major turning point in his career and was to lead eventually to *Dynamic Sociology*. Stimulated by the writings of Comte, Mill, and Spencer, Ward now sought to "prove" the possibility of a science of society and of a society guided by the truths of such a science. It is to be noted, however, that the task undertaken was not to develop the science itself but to demonstrate that it was possible. It is in this sense that Ward's work was confined within the framework of an argument.

Immediately after receiving his B.A. degree in 1869, Ward had started work on the book which finally appeared in 1882 under the title *Dynamic Sociology*. The original title, *Plan of the Great Panacea*,⁴ reveals, significantly, the initial orientation of the writer. At this stage the book was conceived as a grand argument based on the premise that "education forms opinions, opinions beget volitions, volitions inspire actions," and to the effect that "education is the immediate means of attaining the ultimate end of human life."⁵ The original prospectus reflected a primary concern with education and evidenced the author's explicit objective of proving by logical argument that education is the great panacea. The section titles themselves are of interest in this connection: "Introduction," "Influence of Education," "Universal Education," "Modes of Acquiring Education," "The Field of Human Labor," "The Sciences," "Historical Knowledge," "How Shall the Reform Be Brought About?" "The Evils under Which Society Labors and Their Cause," "Demands of the Cause," "Value of Theoretical Knowledge to Industry," "Results Which Will Flow from Increased Intelligence."⁶

By the Fall of 1874 a draft of the entire two volumes had been completed. At this juncture Ward ceased writing and began to read extensively in preparation for a revision or, as it turned out, a re-writing of the book. Works read at this time included Spencer's *First Principles*, *Principles of Biology*, *Principles of Psychology*, and *Study of Sociology*, Lyell's *Principles of Geology*, and Comte's *Positive Philosophy*.

As indicated, the most characteristic feature of Ward's work to this point was an effort to develop a theoretical justification for education

³ *Ibid.*, pp. 159-161.

⁴ *Ibid.*, Vol. 3, p. 150.

⁵ *Ibid.*, p. 155.

⁶ *Ibid.*, pp. 150-153.

and positive social action. The interruption of work for additional reading and the length of time already devoted to the preparation of the work evidenced difficulty in arriving at a compelling argument. Finally, however, the Positivism of Comte and the evolutionary philosophy of Spencer provided the long-sought theoretical framework for the argument. Borrowing heavily from both, the plan of the work was extensively reformulated in 1876, and what amounted to a new work began to take shape. The Comtean philosophy of social progress and the Spencerian monistic and cosmic philosophy of history replaced the original tenets regarding education. As Ward wrote years later, he had "begun to see that what I was writing was sociology."⁷ Symbolical of this shift in the conceptual framework of the argument for societal self-direction and education was the adoption at this time of the new title, *Dynamic Sociology*.⁸

From the beginning, Ward was fully aware of the fact that he was formulating an argument to justify a pre-conceived policy. Indeed, he frequently stated his basic objective in just such terms. As early as 1866 he prepared and delivered an oration entitled, "The Importance of Intellectual Culture," in which it was argued that "education is everything." Writing of this oration later, Ward stated that "from that date (1866) on it was my ambition to expand the idea into a book and to give all my reasons *in extenso*."⁹ The book in question was to be his *Dynamic Sociology*. Thus the initial orientation was that of an argument to prove that education was the means to human welfare, an argument to be supported by a whole volume of reasons. This original frame of reference was never abandoned.

At the time of the publishing of *Dynamic Sociology*, Ward wrote a full account of the preparation of the book. Commenting on the completion of the first draft of Volume I, he wrote, "I was now prepared to enter upon what I regarded as the real subject of the work, viz. Education. The six (or seven) chapters constituting the first volume were only preparatory to this, that is, they constituted the argument for the justification of a treatise on education."¹⁰

It would appear, then, that when Ward began writing he was deliberately and consciously constructing an argument or rationale for education on the assumption that it was an adequate remedy for the

⁷ *Ibid.*, p. 172.

⁸ *Ibid.*

⁹ *Ibid.*, p. 148.

¹⁰ *Ibid.*, p. 164.

many social problems. That he continued within this frame of reference throughout the period of writing is clearly evidenced by his own statements in the final version of the text.

Volume I was devoted primarily to the elaboration of a cosmic philosophy patterned after that of Herbert Spencer and served as a basis for the theory of social action and education to be set forth in Volume II. Ward called attention to the fact he was engaged in an argument when he wrote, "In the foregoing consideration of the phenomena and laws of tertiary aggregation, those of the dynamic group have been chiefly reviewed. This course has been adopted for a variety of reasons, the principal of which is that what is here said is designed rather as an introduction to the argumentative part of this work, to be embraced in the second volume."¹¹

A similar observation is made at the beginning of Volume II. "And now the reader's indulgence is asked while still another preliminary chapter is presented, which also seems essential to a complete preparation for the intelligent comprehension of all the terms and postulates in the final argument."¹² Again, "It only remains, before proceeding with the argument, to reduce to a systematic form and to bring together in a single place the several principles that underlie phenomena, and to classify them anew with special reference to the application to the science of Dynamic Sociology."¹³

At about the time Ward completed writing *Dynamic Sociology*, he wrote an article dealing specifically with the two opposing views toward social action: *laissez-faire* and artificial regulation. The principal point developed was that the advocates of artificial regulation had failed to support their position as had the advocates of *laissez-faire*, and that a rationale must be found if classical theory is to be successfully opposed. "They [the advocates of artificial regulation] wince under the charges of the theoretical school, and confess or make no response; yet they are not deterred from their work. There is no fixed set of doctrines laid down to govern this movement. Acts advancing it are not defended by argument. It is an impulse without a philosophy; an instinct rather than a conviction."¹⁴ *Dynamic Sociology* was Ward's conscious effort to supply the necessary doctrine, argument, or philosophy with which to op-

¹¹ *Ibid.*, Vol. 1, p. 699.

¹² *Ibid.*, Vol. 2, p. 2.

¹³ *Ibid.*, p. 76.

¹⁴ "Politico-Social Functions," *Glimpses of the Cosmos*, Vol. II (New York, 1913), p. 340.

pose the classical view and to promote the cause of the proponents of artificial regulation.

The above analysis of Ward's point of departure in the writing of *Dynamic Sociology* has shown that the author did not set out to study social phenomena themselves or even to determine whether such a study was possible. Rather, it was his original and primary purpose to demonstrate, through logic and by the use of currently accepted concepts, that it was possible for mankind to control his own destiny through the use of the findings of a science of dynamic sociology implemented by universal education.

If we may accept this analysis, our attitude toward the conclusions of *Dynamic Sociology* will be materially affected. The basic concepts set forth by Ward can no longer be seen as an effort, successful or unsuccessful, to account for or explain social phenomena, but must be viewed as the terms of an argument and determined by the requirements of the argument itself.

Put in the briefest form, Ward's *Dynamic Sociology* is a monistic cosmic philosophy built up from 19th century physical philosophy and used to demonstrate that there is a process of social evolution and that at a certain stage in this evolutionary process society will become conscious of itself and have the knowledge requisite for self-direction in a manner comparable to the emergence of mind and intelligent behavior in biological organisms. In short, a science of society will emerge of necessity and in accordance with inevitable universal natural law. But what will be the nature of this science? It will study the laws or processes of social evolution which were already established in demonstrating the inevitability and nature of the science itself. Ward was engaged in a process of circular reasoning identical to that of Comte.

Once having "discovered" sociology of the Comtean and Spencerian variety, Ward knew no bounds in his enthusiasm. Indeed, it was this enthusiasm that, in the end, led him to lose sight of the fact that his basic ideas were born of an argument and to regard them as empirically derived truths. That is, his ideas relative to the need and possibility of a science of social phenomena were confused with the findings of the science itself.

In closing, I should like to raise a question. To the writer it is a crucial question and merits careful consideration. To what extent have subsequent generations of sociologists worked within a frame of reference similar to that of Ward? To what extent have more recent students of

man become involved in an argument to prove the possibility of a science of society and then gone on to regard the principles developed in that connection as empirically derived truths? To what extent have the basic and guiding concepts of contemporary sociological theory been developed within the framework of an argument? It is generally agreed that the concept of social process or processes occupies a central position in modern sociological thought. I am aware that this concept came into existence when Albion W. Small and a number of others were engaged in a strenuous argument with their contemporaries regarding the inclusion of sociology in the ranks of scientific disciplines.

CONSEQUENCES OF THE PARTIAL LOSS OF CONTINUITY IN SOCIETY

ROBERT E. L. FARIS
University of Washington

Social disorganization can occur in a number of ways and in consequence of a variety of causal factors. One of these ways is the failure of a society to reproduce itself. The Shaker sect, which forbids sex relations, is nearing its end from this type of failure. More common, though less noticeable, is moderate social disorganization resulting from partial loss of continuity in society. The present discussion is based on an examination of this phenomenon and its consequences of personal disorganization.

A useful distinction between two types of human communication has long been current among sociologists: contacts of continuity and contacts of mobility. The former—consisting of communications from parent to child, from teacher to pupil, and from old literature to reader—are related to the preservation of a social heritage, to conservatism, tradition, and stability. Contacts of mobility, on the other hand, are communications among contemporaries and are related to interchange of new information and influences, to change, drift of fashion, and scientific advance.

Although contacts of mobility, and the resulting change and disorganization, are frequently studied as conditions dangerous to a society,

it is also generally recognized that, in the modern world, change cannot be avoided and that in the competition among nations any peoples who fail to make the most of the contemporary knowledge that is available will be in danger of lagging behind and of being at the mercy of more powerful nations in the competition for space, power, economic dominance, and influence. On the other hand, few sociologists would think to question the indispensability of continuity. Man is dependent upon his social organization, and this fact cannot be repealed by denying the reality of society. Organized precedents function for man in interaction as habits do for the separate person. Without standards of conduct for society, each generation would have to invent anew a working culture and would thus be limited to the extremely simple amount that could be devised in so short a time as a life span. Culture and social organization may look simple enough when we are born to it, but the difficulty of evolving a set of functioning rules is appreciated when we observe a group of small boys making an unsupervised attempt to work up an organized game. After a period of frustration the boys gratefully accept orders from anyone who is definite about how to form a game.

Concerning the opposition between the two types of contacts, it need only be pointed out that where contacts of continuity are strong and preponderant, persons tend to be more interested in tradition than in fashion, and in classics than in science. Where contacts of mobility are strong, however, conservatism tends to wither.

A parallel distinction is customarily made between two types of knowledge, each related to one of the above types of social contacts. Folk knowledge is borne on contacts of continuity, and scientific knowledge (as well as faddish belief) is borne mainly on contacts of mobility. We live in an age of science and technology, but we have not yet come near the stage in which the new kind of knowledge is sufficient for all purposes of human life. In fact, most of what the mass of even our college-educated population knows is classifiable as folk knowledge rather than science.

In the present condition of our society, we have populations in three stages with reference to type of knowledge: those with folk knowledge, those with scientific knowledge, and those with no effective amount of either. The point is well illustrated with reference to agriculture. There exists an incomplete but valuable and rapidly growing science of agriculture which, at its best, is naturally far superior to folk agriculture. It has produced seeds and strains superior to any previously known, as

well as more effective plant and animal foods and methods of nurture. The achievements in this field are recent, however, and farming has been successfully practiced for millennia entirely without science. Crude as it is, and full of error and superstition, folk agriculture contains some efficient principles and is clearly better than no knowledge at all, otherwise known as common sense. Where folk knowledge is at its best and competes with an incomplete field of agricultural science, the comparison is not always unfavorable to the former. There probably is nothing in the science of animal behavior which can yet improve the remarkable training of sheep-tending dogs. For further illustration a folk device for meeting a frequent crisis of lambing time may be mentioned. When a ewe refuses her own lamb, which is then threatened with starvation, the farmer may put a strange dog in the stall with the ewe and the lamb. In the face of this threat, the mother's defensive reaction is called into play, and she usually shelters the lamb and thus comes to accept and hence to suckle it.

The third condition—ignorance of either folk or scientific knowledge—may be illustrated by city dwellers or newcomers to suburbs and dude farms who attempt to grow plants or tend animals without drawing on the experiences of others. There is a comic literature on the blunders of these amateurs, and few have failed to see at one time or another the consequences of the pathetic self-confidence of the "common-sense" agriculturists. Their plants wither from overcrowding or poor soil, or fail to develop from lack of open sunlight; the chickens fly away, become sick, or fail to lay. There is no end to the possibilities here, and the anecdotes may be accepted as humorous only because we do not depend upon this class of person for food production.

Deprivation of all folk knowledge in the field of human relations, however, is a far more serious matter. It is necessary to admit that, for all of our worthy research in psychology and sociology, it cannot be maintained that an achieved science of human relations yet exists. There have been progress in conceptualization and much accomplishment in devising the tools of discovery, but not enough established principles to enable us to set rules for bringing up children, saving a weak marriage, or winning friends and influencing people. In the not very common situation in which an expert on child training succeeds in training his own child, critical inspection may reveal that some of his success is attributable to his use of knowledge and skills not recorded in books, and perhaps even at variance with the written principles.

Folk knowledge, however, has its greatest triumphs in the field of human relations. As long as he has been human, man has depended upon an organized group of his fellows, and the preservation of an effective system of co-operation has been as vital as the pursuit of food. Wherever man has survived, it is evident that he must have possessed adequate solutions to the basic problems of co-operation. The ethnological literature is rich in examples of ripe folk wisdom among preliterate peoples, and, at the best, the reflections of the tribal sages compare favorably with the observations on human nature in our most prized literature and even in our modern texts on social psychology. We cannot confidently say, for example, that the dictum that persons who are dissatisfied with the conduct of one another should "have a good quarrel" for the sake of catharsis, is superior to the contrary advice of the Chagga teacher, "Conceal a warning in a joke and he (that is, the guilty person) will thank you with a gift."

Even where scientific knowledge does exist, it is not always available for use until it is so much diffused among the population and integrated with the culture as to become in fact a part of the body of folk knowledge. It is doubtful whether, even when we are able to write a bookful of established principles of child training, it will be possible for mothers to rear their babies by the book alone. It would be analogous to the problem of learning to speak French by studying the old Fraser and Squair grammar. One can not apply rules to babies without having a rich acquaintance with them, and the rules are most readily learned and applied through extensive apprenticeship by one who knows them as second nature.

The most conspicuous personal failures in human relations are found among those who have, like the amateur agriculturists mentioned above, neither science nor folk knowledge. Such persons, concealing their ignorance from themselves and trusting their independent judgment, have to make their discoveries of the character of human nature and the principles of social interaction alone—a task too great even for persons of high ability.

The writer has examined a number of cases which describe this type of failure. One of the best illustrations of all is to be found in the biography of Jack London, the author of adventure fiction, whose life is replete with failures that would have been avoided by persons with a supply of folk wisdom. Other examples are found among marginal men, migrants, residents of urban slums, and faddist settlers in southern Cali-

fornia. The first generation in any new profession, the first generation to have ample money, the first generation to live in a city, the first generation to become famous—all these face difficulties of this kind because they lack the special advantage of the folk knowledge that is preserved in the continuity of family and community lines, and that normally comes to each person through apprenticeship from his own people. It is not altogether impossible to become assimilated into a new order in one lifetime, but the difficulty is great enough to set pitfalls for the majority who try.

It is not to be assumed that the urban populations, however detached they may now be from a past, will be forever drifting from fad to fad in a cultureless void. The instability is temporary. New systems may evolve within a reasonable time. It has been pointed out that a new style of family, the companionship family, appears to be emerging, and that in certain stable city residential and suburban areas there is developing a new social integration which is not a revival of an earlier folk society, but a good working community life which is adapted to the changing secular civilization. The shape of things to come may be less spectacular than imagined by Wells and by Huxley—perhaps it is to be seen in the hammocks of suburban back yards.

In conclusion, it is appropriate to recognize again that—though continuity furnishes the stability, the organization, and the advantages of standardization, predictability, and security to a society—there are contributions as well as penalties that come from discontinuity. From this latter condition come the speculators, the pioneers, the bearers of exceptional risks, and the discoverers of new directions. The George Apleys are valuable to society, but not in this role. Both stability and instability can also be overdone, and most of us would grant that medievalism as well as bohemianism can be a threat to a social order.

THE CONCEPT OF MARITAL ADJUSTMENT AREAS

CHARLES E. BOWERMAN

University of Washington

During the past few years there have been a number of studies in which social scientists have attempted to assess the degree of happiness, or success, in marriage, to discover the factors which are associated with differing degrees of success, and to predict before marriage what the most probable outcome would be. These studies have viewed success as something which could be generalized for the marriage as a whole. Whether based on one question, or compounded from a series of questions, success has been measured by a single score which is intended to represent the degree of success or failure of the entire activity. Such measures have been found to be very useful and have provided us with many worthwhile results, but we are now at the stage in our research when we can use criteria which are more diagnostic. If we could measure the *pattern* of adjustments within marriage as well as the degree of over-all success resulting from this pattern, we would be able to extend our research much farther than we can at present.

How can we best represent the total adjustment pattern of a marriage? There are as many different adjustments in a marriage as there are marital situations in which interaction occurs. The number of these separate interactions is very large, and we obviously cannot measure the degree of adjustment in each one. If all of these specific adjustments, however, can be grouped into a fairly small number of "areas" of adjustment situations, within each of which the adjustments are of an essentially similar nature, then the smaller number of adjustment areas can be used to represent the total pattern of adjustments. More specifically, we can define an "area of marital adjustment" as the universe of all those marital situations toward which married persons tend to make essentially the same degree of adjustment. According to this definition, the degree of adjustment with respect to a sample of adjustment situations from an area would predict rather accurately the level of adjustment toward other situations in the same area, or, what is more significant, toward the entire area. In other words, the adjustments made to a sample of marital situations from an area can be used as an estimate of the degree of adjustment achieved with respect to that entire area. In this way, most of the specific adjustment situations in marriage may be grouped into areas containing similar adjustment content. For example, all adjustments with respect to in-law relationships may be sufficiently

similar that they can be considered as belonging to the same area and measured as a unit. The same may be true for adjustments with respect to financial and economic matters, friends, religion, recreational interests, and so forth. The efficiency of this sort of representation is quite apparent. Even if some of the areas were not entirely homogeneous with respect to adjustment content, some lack of precision in estimation would be more than compensated for by the use of a comparatively small number of measures to provide an estimate of the total adjustment pattern existing within the marital relationship.

There are several lines of evidence which indicate the usefulness and validity of the concept of areas of adjustment in marriage. In the first place, the theory of marital interaction uses such classifications as in-law adjustments, religious adjustments, financial adjustments, sexual adjustments, and so forth. This kind of classification implies that the adjustments within a category are more similar to one another than they are to adjustments in the other categories. Furthermore, in marriage counseling we may ask a sample of questions about each of the areas which we believe to be important, in order to get an indication of the extent to which there are problems in that aspect of the marriage. The interviewer often makes inferences about the entire area which are based on his knowledge of a sample from the area. For example, he will say "the sexual adjustment of this couple is very good," or "only fair," or "poor." In both theory and counseling, therefore, an implicit concept of areas of adjustment has been found to be useful.

Other evidence of existence of such areas comes from the prediction studies of Terman and those of Burgess and Cottrell,¹ in which the amount of agreement-disagreement was asked about such areas as handling finances, religion, friends, and so forth, each of which involves summarizing many experiences under one label. The reliability and validity of these questions is further indication that people think of the adjustments included under each label as sufficiently similar that they can evaluate them collectively. Besides, Judson T. Landis made a study² in which he asked about the length of time it had taken couples to make their adjustment in six different areas of the marital relationship. His findings indicate that the respondents were able to consider each of the six areas

¹ E. W. Burgess and L. S. Cottrell, *Predicting Success or Failure in Marriage*, (New York: Prentice-Hall, Inc., 1939) and Louis M. Terman, *Psychological Factors in Marital Happiness* (New York: McGraw-Hill, 1938).

² Judson T. Landis, "Length of Time Required to Achieve Adjustment in Marriage," *American Sociological Review*, XI (December 1946), pp. 666-74.

he used as a single aspect of marriage, and that they reacted somewhat differently to each one.

As a further test of the validity of the concept of adjustment areas, we made a scale-analysis study of a number of possible areas, using the scale-analysis technique developed by Louis Guttman.³ This type of scale analysis tests the hypothesis that a set of items has been sampled from the same universe of content. Twenty-one tentative areas were defined, and approximately ten questions were constructed to represent each area. Twenty of the tentative areas were tested on a sample of over 150 couples, and the other area was tested on another sample of 60 couples. Questions were given to both husband and wife, who were to answer independently. When the results were analyzed according to the criteria used by Guttman, seven of the areas were found to scale, eight were marginal or quasi-scales, and six did not scale.⁴

The conclusions drawn from the scale-analysis study⁵ can be stated as follows:

(a) In the six sets of items which definitely did not scale, the analysis showed that some had been ambiguously defined, or contained more than one area of content, and in many instances single questions had been ambiguously interpreted. The same is true, to a lesser degree, of the eight sets of items which were judged to be marginal as to scalability. In most cases, some of the items in the set showed good interrelationships, but others were sufficiently unrelated that the coefficient of reproducibility of the entire set was low.

(b) Each of the seven sets of items which did scale came from a unit area of content, inasmuch as, in this kind of scale analysis, scaling is evidence of similar content by definition.

(c) An unexpected result was that, in general, those items phrased in terms of *how well satisfied* they were with various aspects of the relationship scaled much better than those which asked about extent of *disagreement or argument*. This would indicate that the general inter-

³Louis Guttman, "The Cornell Technique for Scale and Intensity Analysis", *Journal of Educational and Psychological Measurements*, VII (Summer, 1947), pp. 247-79.

⁴The seven which scaled had been defined as "agreement with respect to financial matters," "satisfaction with social behavior of spouse" (two forms, each of which scaled), "satisfaction with appearance of spouse," "satisfaction with spouse as a person," "personal satisfactions derived from marriage," and "sexual adjustments."

⁵For details of the study, see Charles E. Bowerman, *The Measurement of Areas of Adjustment in Marriage*, Ph.D. Thesis, 1948 (University of Chicago Library).

pretive reaction to an area of content might be of a unitary nature, in and marital adjustment, which has been investigated by Burgess and spite of the fact that the more specific kinds of behavior, such as disagreements, are not as highly intercorrelated.

(d) In general, the degree of scalability that was found, as well as the analysis of item interrelationships even in those sets of items which did not scale as a set, definitely supported the assumption that there are clusters of marital adjustment situations which we can validly consider as comprising areas of adjustment.

As an interesting sidelight of the scale-analysis study, we worked out intercorrelations among scale scores on five areas.⁶ According to the Pearsonian coefficient of correlation, the mean intercorrelation among area scores was only .514, whereas the mean coefficient of reproducibility of the separate scales was 84.9. On the one hand, responses to items in each area were shown to be rather faithfully represented by a single score; on the other hand, mean intercorrelations among scores of only .51 show the necessity of measuring each area separately if we wish to obtain an accurate picture of the total adjustment pattern.

A number of interesting research possibilities could be opened up by the use of measures of the pattern of adjustments. For one thing, we would be interested in finding out the effect of the various adjustment patterns on the way the marriage, as a whole, was evaluated. How much "strain" can there be in one or more areas of the relationship before the entire marriage is affected? We would also be able to add to our meager knowledge about differential family types by finding out if certain population groups have a characteristic pattern of adjustments and evaluations of those adjustments which differs from that of other groups.

With respect to analysis of factors contributing to the success or failure of marriage, we would not have to confine ourselves to discovering *if* certain factors were related to success; we could find out *in what way* they were related. This would give us much more powerful tools for analysis than we now possess. For example, the happiness of an individual's parents may be highly correlated with his economic, affectional, sexual, and in-law adjustments in marriage, but may have little or no relationship with the other kinds of marital adjustments which he must make.

⁶ The five areas selected were agreements about financial matters, satisfaction with personal habits of spouse, satisfaction with spouse's cultural interests, satisfaction with behavior of spouse in social groups, and satisfaction with spouse as a person.

In addition to finding the kind of effect premarital factors have on marital adjustments, the relationship between engagement adjustment Wallin,⁷ could be refined by finding out which areas of engagement adjustment were most closely related with the various areas of adjustment in marriage. The relationship between some kinds of adjustment in the two periods might be found to be very high; in other areas it might be very low.

The same advantages would exist for discovering the effect of post-marital factors on the marriage adjustment. We would like to know, for example, what kinds of adjustments were most affected by change of social status, by mobility, by depression, by the wife's working, by an increase in the size of the family, and so on.

Another subject in which we have been interested is the trend in marital adjustment throughout the period of marriage. Burgess and Cottrell, and Lang⁸ found that the marital adjustment of the couples they studied declined with the duration of marriage. It would be important to find out *in what respects* the adjustments declined, or improved, with increased marital experience. Landis⁹ found that all adjustments are not achieved with equal facility, nor accomplished to as high a degree. More refined measures would enable us to carry this type of analysis much further.

Another advantage which seems rather important is the use that such measures might have in the counseling process. For post-marital counseling, these measures could be used as diagnostic tests, supplemental to interviewing, to help spot the trouble areas. For pre-marital counseling, we would hope to extend our present prediction techniques to include prediction of adjustment in the different areas of the relationship. We would be able to tell a couple (with the same precautions that should be employed in the use of present tests) not only *how* successful they could expect their marriage to be, but *in what respects* they can anticipate the most difficulties. This would greatly increase the usefulness of prediction tests in pre-marital counseling, inasmuch as it would direct our counseling toward the most probable sources of difficulty.

This paper has given a theoretical framework within which diagnostic measures may be worked out, but has said nothing about the method of

⁷E. W. Burgess and Paul Wallin, "Predicting Adjustment in Marriage from Adjustment in Engagement," *American Journal of Sociology*, XLIX (1944), pp. 324-30.

⁸Burgess and Cottrell, *op. cit.*, p. 409.

⁹*Loc. cit.*

measurement which is to be employed. At a later time, we shall report the results of a current study in which we are working toward the development of scales to measure the degree of adjustment in ten areas of the marital relationship.

In summary, we have expressed the need to supplement our present measures of the over-all success of marriage with measures which evaluate the *pattern* of adjustments. This pattern can be efficiently represented by areas of adjustment, each area including those adjustments which are similar in content. Therefore measures of the degree of adjustment achieved in each area will provide us with a fairly accurate estimate of the total marital-adjustment pattern.

POPULATION PRESSURE IN JAPAN

DAVID B. CARPENTER

University of Washington

Excessive pressure of population on resources has constituted the core of Japan's argument justifying its recent military expansion into vast areas of the Far East. Today Japan has more population and fewer resources than before the war. If its population pressure justified expansion in 1931, 1937, or 1941, it would justify expansion today.

Ackerman has recently argued that Japan has resources adequate for the support of its population; that its population pressure justification of military expansion has been specious.¹ To make his point, he assumes the most extreme circumstance in which Japan might find itself—as in the Tokugawa Period, sealed from foreign trade. So isolated, Japan could, according to Ackerman, provide to a seventy million population approximately the standard, with regard to the minimums of food, clothing, and shelter, which prevailed for the Japanese masses before the late war.

Ackerman would augment the prewar 85 per cent self-sufficiency in food by rationing the population at a 2,500 calorie level, including 50 grams of protein and minimum vitamin requirements; by diverting to food crops the land now devoted to industrial exports crops like peppermint, pyrethrum, and mulberry; by utilizing improved rice seed; and by diverting to food purposes the 20 per cent of the fish catch not so utilized before the war.

Ackerman would utilize forest products to clothe the Japanese in rayon; to provide wooden clogs in lieu of shoes; to heat food and water in the home; to provide the wood and bamboo, which, along with straw and clay, have traditionally served for housing construction; and to provide household furnishings and equipment. He refers to Sparhawk's study of Japanese forestry² as evidence of the adequacy to this drain of the Japanese forests, which cover 75 per cent of Japan's land area.

Although Ackerman grants that a Japan thrown on its own resources would feel the pinch of isolation most in phases of mineral supply, he argues that it could approach self-sufficiency under a rigorous controlled program of utilization. Coal is adequate to minimum needs; sulfur is available in surplus; salt can be obtained from sea-water; limestone is

¹ Edward A. Ackerman, "Japan: Have or Have-not Nation," *Japan's Prospect* (Harvard University Press, 1946), Part II, pp. 25-44.

² W. N. Sparhawk, *Japan, Forest Resources, Forest Products, Forest Policy*, U. S. Dept. of Agriculture Forest Service, Division of Forest Economics Pamphlets, May, 1945.

plentiful; limited petroleum resources could be augmented from coal derivatives for minimum lubrication and gasoline needs; and pressure on coal resources would be minimized by hydroelectricity, which would be the prime-mover of the islands.

Three minerals are indispensable to the self-sufficient agriculture Ackerman proposes. Of these, nitrates are abundantly available from the air, but phosphatic and potassic compounds are in short supply and were imported before the war. Ackerman concludes that "the production of both potash and phosphate from local materials might be sufficient to support the seventy millions, but it is quite unlikely that it ever could reach the amount necessary for local agriculture supporting a larger population."³

Indigenous resources would provide minimum needs of copper, magnesium, zinc, gold, silver, and manganese. Strict parsimony in utilization could prolong for some decades local supplies of iron, lead, tin, mercury, and antimony. There would be no aluminum, and the supply of the alloy metals, molybdenum, tungsten, and vanadium would be negligible. Smelting processes could be carried on with home island resources.

Ackerman's analysis is provocative. Although he erred in his population estimate of seventy millions as contrasted with today's eighty-one millions, his thesis that Japan is in fact not a resource-poor land and that its population could subsist upon its resources is probably still true except for phosphates, potash compounds, and certain metal ores which must be imported to support even a subsistence economy. It is important, however, to make explicit the less obvious implications to Japan of such a degree of self-sufficiency as he hypothecates: (1) necessity of maximum application of technological knowledge in resource conservation and utilization; (2) necessity of an equalitarian system of distribution of minimum subsistence essentials through rigorous administrative and police controls; (3) a period of years before the self-sufficiency goals could be reached through (1) and (2). Such self-sufficiency could be achieved only through extension of authoritarian controls and through maintenance of the plane of living at the subsistence minimum from which the Japanese have been struggling to escape.

Japan's population of eighty-one millions is being augmented annually by a natural increase of approximately a million. That between 1721 and 1850 Japan's population was stabilized at twenty-eight to thirty millions was apparently an adaptation through abortion, infanti-

³ Ackerman, *op. cit.*, p. 37.

cide, disease, and famine to the subsistence ceiling imposed by the technology and social organization of the Tokugawa Period. Population growth approximated under impact of industrialization and urbanization a typical logistic curve. Between Japan's first National Census (1920) and 1940, population increased from fifty-six to seventy-three millions, an annual average increment of 0.85 millions.⁴ In 12-month periods ending September 30, population change was, in millions: 1941, plus 1.2; 1942, plus 0.7; 1943, plus 0.5; 1944, minus 0.1; 1945, minus 1.4; 1946, plus 3.7; 1947, plus 2.5.⁵ Postwar population increase has been sharply influenced by the repatriation to Japan from abroad of six million persons.⁶ The crude birth rate declined from 32 per 1,000 population per annum in 1930 to 23 in 1945 and rose sharply to 35 in 1947. Crude death rate declined from 18 per 1,000 population per annum in 1930 to 16 in 1941, rose to 17 in 1944, peaked at 29 in 1945, and dropped to 15 in 1947.⁷ It would appear that with the increasing urbanization of the population and the spread of birth-control information, the birth rate will return to the prewar downward trend. The death rate trend will probably reflect inversely the plane of living. Opportunities for emigration of Japanese appear negligible, at least for the foreseeable future.

Postwar Japan bears the burden of resources wasted, cities bombed, shipping sunk, foreign assets lost, reparations exacted, trade disrupted and limited, industrial capacity destroyed, area restricted, and freedom of action limited—the legacy of a war fought and lost. In 1947 Japan's population was 25 per cent larger than in the depression year of 1930, yet her industrial production was 60 per cent less.⁸

During 1946, 1947, and early 1948, the average per capita daily food consumption fluctuated between 1,750 and 2,250 calories: city populations averaged under 2,000; non-city populations over 2,000. The government staple food ration was the source of approximately two-thirds of the caloric intake of the fifty to sixty million non-selfsuppliers.⁹ Food producers were compelled by law to sell to the government for ration distribution all staple foods produced in excess of the producer's

⁴ Irene B. Taeuber and Edwin G. Beal, "The Dynamics of Population in Japan," *The Milbank Memorial Fund Quarterly*, Vol. XXII (1944), pp. 226-30.

⁵ Supreme Commander for the Allied Powers, *Summation of Non-Military Activities in Japan*, No. 35 (August, 1948), p. 276.

⁶ *Ibid.*, p. 280.

⁷ *Ibid.*, p. 274.

⁸ *Ibid.*, p. 302.

⁹ *Ibid.*, No. 32 (May 1948), p. 372.

authorized family food supply. Indigenous purchases, permitting a ration distribution of 500,000 metric tons (rice equivalent weight) per month, had to be augmented in the average month by approximately 125,000 metric tons (rice equivalent weight) of wheat flour and other staple foods imported from the U. S. to prevent "disease and unrest."¹⁰ Release of imported food through ration channels has been associated with a decline in percentage of population underweight from 25 to 15, and with a decline in the percentage of population manifesting symptoms associated with nutritional deficiencies from 35 to 20.¹¹

Japanese imports have been limited to the minimum necessary to "prevent disease and unrest," and have been largely bought with U. S. funds. Maximum encouragement has been given, within the limits of Far Eastern Commission policy, to development of exports in order to relieve the U. S. taxpayer of his burden in Japan. Imports during 1947 exceeded in value 500 million U. S. dollars; exports approximated 180 million U. S. dollars. Imports, chiefly from the U. S., were 60 per cent food; 18 per cent raw cotton (for re-export processing); 18 per cent fertilizer; and 4 per cent other. Exports, chiefly to Asia, were 75 per cent textiles and 25 per cent other.¹²

Japan is today kept from the Malthusian checks of disease and famine by rigid rationing and by U. S. subsidy. Capital and consumer-good destruction during World War II and postwar restrictions have slowed Japan's reemergence as a nation capable of providing her population with minimum subsistence independent of outside assistance.

In a free-trade world Japan would not necessarily be at a disadvantage because of population pressure on resources, just as Manhattan Island is not disadvantaged by extreme population pressure on natural resources. It is in a world of tariff barriers, trade quotas, Empire preferences, programs of national self-sufficiency, and threat of war that the pressure of population on Japan's resource base has tended to be associated with a low plane of living, totalitarianism, and expansionism.

Japan in the years ahead could in a free-trade world achieve a high standard of living for a ninety or a hundred million population without militant expansion. But to the degree that it be denied competitive access to world markets and raw materials, Japan would probably again be tempted with economic and political expansion as the alternative to Ackerman's self-sufficiency of poverty and regimentation.

¹⁰ *Ibid.*, No. 35 (August 1948), p. 202.

¹¹ *Ibid.*, No. 32 (May 1948), pp. 375-76.

¹² *Ibid.*, pp. 294-99.

THE ETHNIC REFERENT

LEONARD BLOOM

WITH THE COLLABORATION OF

JACQUELINE WRIGHT AND HARVEY SCHECHTER

University of California, Los Angeles

This paper is an attempt to indicate an area of investigation and a procedure of analysis. It is not a full exposition, and the slender empirical findings are presented to help pose some questions. Having begun on this contrite note, we assert that there is ample reason for setting up and discussing pilot studies before too many commitments are made, all the evidence is in, and the scheme is thoroughly embalmed by rigidified procedures. This is a pilot study, and we invite those who may find merit in it to modify and experiment with the plan of attack.

The virtues of the approach lie in two areas. First, it enables us to specify the characteristics of ethnic experience for ethnic groups and others within the same framework and to differentiate the quantity and quality of such experience. This seems to us to be preferable to the common practice of assuming that ethnic phenomena are so important that it is unnecessary to find out how important they may be. With the application of a time budget, which we did not attempt, our scheme would afford a relative as well as a direct measure of the mass of ethnic experience. The second merit is that it provides a context within which attitude research may be cast and indeed may help the student of attitudes to pose meaningful questions. In general, the point of departure of attitude research is *ad hoc*'ed, and the work is terminated with a larger question than it began; namely, what relationship do the described attitudes have to experience? (We do not claim to touch the larger question: what do attitudes have to do with acts?) An attitude study based on an analysis of ethnic experience would rest on firmer empirical foundations. At least the symbols employed would bear a closer approximation to experiential reality. At this stage of our work, however, we are willing to justify the study on the first ground, that an orderly analysis of ethnic experience is desirable and feasible.

Our procedure was as follows. (See Appendix.) A class of thirty-four senior students in ethnic minorities were directed to record over a period of eight weeks everything they encountered which had ethnic content. After two weeks the preliminary material was examined to determine the adequacy of the coding, the time that would be required for a usable sample, and the need for additional training. The recorders

were, of course, warned against letting the assignment modify their activities and relationships. Records were to be made privately as soon as possible after an observation. A simple code was worked out within which to state the minimum characteristics common to the reports, and the code made provision for analysis from three points of view: (1) from the perspective of the recorder, (2) from the point of view of the agent of the utterance or act, (3) from the point of view of the ethnic object. In addition, the code provided for situational classification: public, private, or involving mass media of communication; the participants were identified as acquaintances or strangers; and the strength and quality of emotional toning directed toward the ethnic object were classified. (See Appendix for code.)

Although full background data were compiled, in this report only two recorder attributes are used: ethnic identity and, in one instance, economic status. The ethnic composition of the class was 17 Anglos (that is, persons without positive ethnic characteristics), 13 Jews, 2 Orientals, and 2 Negroes. Two per cent of the items were rejected as inappropriate or inadequately recorded. Only data supplied by the Anglo and the Jewish samples are discussed here.

The 17 Anglo recorders set down 647 references, an average of 4.9 per person per week; the 13 Jewish recorders supplied 461 references, or 4.6 per person per week. (See Table I.) The negligible difference be-

Table I. Number and Rate of Ethnic References.

<hr/>		
All Recorders (<i>Test Group</i>)	<i>Number</i>	<i>Rate per Week</i>
Anglos (17)	647	4.9
Jews (13)	461	4.6
Matched Recorders (<i>Test Group</i>)		
Anglos (13)	516	5.2
Jews (10)	374	4.9
Matched Recorders (<i>Control Group</i>)		
Anglos (38)	28 (in one day)	5.2
Jews (26)	23 (in one day)	6.2
<hr/>		

tween these rates did not coincide with our naive anticipation. In order to determine whether or not the experiment sensitized the recorders, we had the recorders interview matched individuals about their experiences over a 24-hour period. In all instances the controls showed a rate calculated on a weekly basis somewhat above that of the recorder group for

the eight-week test period. The control check indicated that the recorders were not oversensitized by the project, as we had anticipated, but that, on the contrary, the protracted period of recording may have lost us something less than one case per recorder per week.

Of all the items recorded, more than 40 per cent pertained to the Negro and about a quarter to Jews; the remainder were scattered among several groups. With the Anglo recorders, the emphasis on Negroes was much heavier than on Jews; but although the Jews recorded a third of their cases about Jews, they, too, recorded a somewhat higher proportion about Negroes. Unfavorable items outweigh favorable items for both Negro and Jewish objects, whether the recorder is an Anglo or a Jew. We shall discuss the relative weights of favorable as compared with unfavorable items separately for situations involving the mass media and for those involving interaction in public and private situations.

Detailed analysis according to the economic status of recorders was not attempted because of the limited number of cases, but it is worth noting that in all situations the proportion of unfavorable observations recorded by Anglos about Negroes increased as we ascended the economic scale. But there was no such correlation between higher status and unfavorable observations recorded by Anglos about Jews. These results raise a question about the attitude studies which report anti-Semitism associated with high economic status and anti-Negro attitudes associated with low economic status. Because samples are small and lack individuals in truly depressed economic status, we are not warranted in pursuing the question here. No orderly association was discovered between the economic status of Jewish recorders and the characteristics of their observations, but we can make one point. In the highest income bracket among Jewish recorders, there was a relatively low proportion of unfavorable observations about Negroes and practically no favorable observations about Jews.

For both Anglo and Jewish recorders, tertiary observations, that is, those involving the mass media of communication, loomed fairly large and included more than a third of the items recorded. (See Table II.) References of this sort, however, made up a much larger proportion of

Table II. Ethnic references by recorder and situation.
(Number and percentage)

Recorder	Overt Behavior		
	Private	Public	Mass Media
Anglo (N=17)	293 (45.6%)	114 (17.8%)	235 (36.6%)
Jew (N=13)	197 (42.7%)	100 (21.8%)	164 (35.6%)

Table III*. Ethnic references by recorder, object, and situation.
(Number and percentage)

Recorder	Negro Object			Jewish Object		
	Overt	Behavior	Mass	Overt	Behavior	Mass
	Private	Public	Media	Private	Public	Media
Anglo (N=17)	123 (38.5%)	53 (16.5%)	144 (45.0%)	91 (60.7%)	34 (22.6%)	25 (16.7%)
Jew (N=13)	61 (31.1%)	43 (22.0%)	92 (46.9%)	95 (60.6%)	28 (17.8%)	34 (21.7%)

* The relationships in Table III are significant at the .01 level. $X^2 = 35.94$ and 33.38.

the observations about Negroes than about Jews. (See Table III.) In whatever way the mass media data are analyzed, the Negro object is more favorably weighted than the Jewish object when Anglos were the recorders. The favorable observations about Negroes in the mass media actually outweighed the unfavorable observations. When Jews were the recorders the balance was about even, and among both Anglo and Jewish recorders there was little polarization.

The unfavorable mass media observations about Jews outweighed the favorable observations both when Anglos were the recorders and when Jews were the recorders, and the unfavorable weighting was especially heavy in the latter situation. (See Table IV.) This may be inter-

Table IV*. Ethnic references in the mass media by recorder, object, and favorability.
(Number and percentage)

Recorder	Mass Media					
	Negro Object			Jewish Object		
	Favorable	Neutral	Unfavorable	Favorable	Neutral	Unfavorable
Anglo (N=17)	64 (44.4%)	32 (22.3%)	48 (33.3%)	6 (24.0%)	9 (36.0%)	10 (40.0%)
Jew (N=13)	29 (31.5%)	31 (33.7%)	32 (34.8%)	2 (5.9%)	14 (41.2%)	18 (52.9%)

* The relationships in Table IV approach significance at the .05 level. $X^2 = 5.18$ and 5.79.

preted in one of two ways: first, that the Jewish contacts with the mass media contain more and more negatively toned references to Jews than do Anglo contacts with the mass media; second, that Jews perceive the same symbols as the Anglos but interpret them less favorably.

The problem of perception is undoubtedly a real one, but we have evidence that the reliability of our reports, at least of interactional situations, was not biased by the recorder's perception. The references made

about Jews by known Anglos show a remarkably high correspondence both when the recorders are Anglos and when they are Jews. For example, Anglo references to Jews made in private situations and recorded by Anglos were 66 per cent unfavorable and 12 per cent favorable. Anglo references to Jews recorded by Jews were 71 per cent unfavorable and 18 per cent favorable. The same indication of recorder reliability is found when references pertain to Negroes. Anglo references to Negroes made in private situations and recorded by Anglos were 50 per cent unfavorable and when recorded by Jews were 53 per cent unfavorable. There remains unanswered a larger variability in references deriving from less intimate interactional settings, but we are not prepared to discuss the question.

In interactional situations we find that the unfavorable items outweigh the favorable items for both Negro and Jewish objects, whether the recorder is an Anglo or a Jew. When Anglos are the recorders, the unfavorable balance is several times heavier against the Jews than against the Negroes; when the Jews are the recorders, the unfavorable balance is somewhat heavier against the Negro. Nearly half of the Jewish-recorded observations about Jews were in the neutral category, but these were largely ingroup references.

As would be expected, the preponderance of ethnic references in the interactional situations recorded by Anglos were made by Anglos. These were three times more likely to be in private than public, regardless of the referent. The Anglos, in fact, recorded a negligible number of references made by Jews and Negroes. On the other hand, about half of the interactional ethnic references recorded by Jews were made by Jews and most of the remainder were made by Anglos. Of all ethnic references encountered by Jews in ingroup situations, a larger proportion occurred in private than was the situation among Anglos. One gets the impression that all ethnic phenomena in Jewish life occur in a more restricted ingroup environment and that this is less true among Anglos.

In this preliminary report we have attempted to mark out an area of analysis and a technique of documentation. We have suggested how data assembled at a low level of abstraction may be so ordered as to raise questions central to the field of ethnic studies; and, finally, we have attempted a limited interpretation of the findings from an intrinsically inconsequential sample. Although compiled in a very different way, the findings may, but need not, be cast within the framework of attitude-opinion studies. We suggest that the substantive results from this sort

of analysis may be consulted profitably in the construction of attitude scales.

Fundamentally, the virtue of this plan of research lies in its flexibility. The same directly perceived and/or experienced phenomena may be ordered from the standpoint of the observer, from the standpoint of the interacting agent, and from the standpoint of the ethnic (or, as a matter of fact, any other) object. By such procedures a quantitative expression of an area of experience may be obtained, and these expressions are amenable to interpretation at higher levels.

APPENDIX: INSTRUCTION FORM

Background Data to Identify the Record Keeper:

This should be in the form of an introduction to the actual record and should be designed to help the reader interpret the items, especially the recurrent ones.

- I. Age and sex of recorder, family position and family composition
- II. Ethnic group identification: (if only fragmentary or historical, so state below)
- III. What identifies him with any ethnic group or groups
 1. Foreign-born background
 2. How far has the acculturation process gone in his home; e.g., erosion of ceremonial practices
 3. Language spoken in home in earliest childhood (other than English)
- IV. Racial composition of family
- V. Period of settlement in U. S. and in this region
- VI. Regional backgrounds of self or parents that might condition judgments
- VII. Religion: Identity
 1. What kind of practitioner
 2. Parental religion—how large does it loom in home life
- VIII. Politics: Identity and kind and extent of participation
- IX. Approximate socio-economic position
 1. Average family income over last five years, to the nearest thousand but if over \$10,000 indicate merely \$10,000+
 2. Number of wage earners in family group
 3. Occupation of principal wage earner, or of father before death
- X. Repetitive situations that are a part of his background, for purpose of simplifying later recording of data; e.g., amount of recorder's activity in a segregated area or in groups such as interracial coöps.

General Instructions:

- I. Attempt to keep experiment from modifying recorder's role in any way other than becoming a sensitive recorder
- II. Value of recording will be directly proportional to the immediacy and fullness of the recording of the observation, and the clarity and completeness of the record
- III. Data
 1. Spoken—personal, radio
 2. Written—press, novel, scrawls on walls.
 3. Incidents and experiences
- IV. Examples of referents of relevance
 1. Altercation between ethnic groups
 2. Prejudicial utterances both pro and con
 3. Non-prejudicial utterances where point of interest is ethnic group

4. In-group utterances
5. Short circuiting of ethnic references

WHEN IN DOUBT, RECORD; THEN STATE DOUBT

- V. The record must be complete
 1. *Precisely*, time, place, circumstance, and identification of those involved
 2. As nearly as possible, exact recording of words used—no deletion or substitution
 3. For printed data: a) date, page, column, space; b) clippings (if easily available)
 4. Clear description of situation
 5. Identification of recorder's role
- VI. Records to be kept and coded on half of an 8½" by 11" sheet of paper—only one item to a sheet
- VII. Data will not be returned to recorder
You will be graded on the competence of your record

CODE each item according to the outline below on each record sheet.

- I. Ethnic referent is *about whom*
 - N. Negroes
 - J. Jews
 - O. Orientals (Chinese, Japanese, Filipinos)
 - M. Mexicans
 - A. Anglos
 - X. Others (specify)
- II. Ethnic referent is made *by whom*
 - N. Negroes
 - J. Jews
 - O. Orientals (Chinese, Japanese, Filipinos)
 - M. Mexicans
 - A. Anglos
 - X. Others (specify)

(If interactive situation, specify; e.g., A - N)
- III. Situation
 - A. In private
 1. By persons well acquainted
 2. By persons not well acquainted
 - B. In public
 1. By persons well acquainted
 2. By persons not well acquainted
 - C. Observation of ethnic reference in
 1. Newspaper
 2. Movie
 3. Novel
 4. Visible statement (e.g., written on wall)
 5. Other
- IV. Emotional toning
 - A. (high)
 - B. (present)
 - C. (absent)
- V. Favorableness to ethnic group
 - A. (favorable)
 - B. O (neutral)
 - C. - (unfavorable)
- VI. Role of recorder
 - A. Active participant
 - B. Passive participant
 - C. Non-participant

MEMBERS OF THE PACIFIC SOCIOLOGICAL SOCIETY

- Ray E. Baber, 999 N. College Ave. Claremont, Calif.
 Joseph E. Bachelder, 333 Sunset Drive, Pullman, Wash.
 Edna W. Bailey, 103 Haviland Hall, University of California, Berkeley, Calif.
 Glenn A. Bakkum, 521 N. 35th St., Corvallis, Ore.
 Ariel S. Ballif, 820 N. 6th East, Provo, Utah
 Kenneth D. Barnhart, San Diego State College, San Diego, Calif.
 Allan P. Bates, University of Washington, Seattle 5, Wash.
 Wallis Beasley, 1709 Opal St., Pullman, Wash.
 Virginia Beazley, University of Washington, Seattle 5, Wash.
 Lawrence Bee, Utah State College, Logan, Utah.
 Reinhard Bendix, University of California, Berkeley, Calif.
 J. V. Berreman, 1379 E. 21st Ave., Eugene, Ore.
 Jeane S. Blair, 5186 Rodeo Road, Los Angeles 16, Calif.
 William C. Blanchard, Jr., 514 Mesa Road, Santa Monica, Calif.
 Leonard Bloom, University of California, Los Angeles 24, Calif.
 Albert Blumenthal, 3124 S. 18th St., Tacoma, Wash.
 Emory S. Bogardus, 1651 Victoria Ave., Los Angeles 6, Calif.
 Charles E. Bowerman, 5515 34th N. E., Seattle 5, Wash.
 Reed H. Bradford, Brigham Young University, Provo, Utah.
 David K. Bruner, College of the Pacific, Stockton 27, Calif.
 S. Francis Camilleri, 3212 Sewtelle Blvd., Los Angeles, Calif.
 David B. Carpenter, Washington University, St. Louis, Mo.
 Pearl E. Clark, 404 W. 5th St., Ontario, Calif.
 J. Walter Cobb, #4 Princeton Village, Grand Forks, North Dakota.
 Joseph Cohen, 1456 38th Ave., Seattle 22, Wash.
 Walter E. Conrad, 429 South Alisos, Santa Barbara, Calif.
 Floyd C. Covington, The Urban League, 2510 South Central Ave., Los Angeles 11, Calif.
 Robert H. Dann, Oregon State College, Corvallis, Ore.
 George M. Day, 5223 Maywood Ave., Los Angeles 41, Calif.
 Carl E. Dent, 407 Dexter St., Pullman, Wash.
 Doris C. Dietrich, Route 7, Box 269, Tacoma, Wash.
 Stuart C. Dodd, University of Washington, Seattle 5, Wash.
 E. W. DuVall, 2725 Sixth Ave., Sacramento 17, Calif.
 Robert J. Dwyer, 937 East Alder St., Walla Walla, Wash.
 Wolfram Eberhard, 2734 Derby St., Berkeley, Calif.
 John B. Edlefsen, 1711 Opal St., Pullman, Wash.
 Lloyd John Elias, 202 Olson, Pullman, Wash.
 Claister A. Elmer, 427 Elmer St., Pittsburgh 18, Pa.
 Robert E. L. Faris, 4318 E. 41st St., Seattle, Wash.
 John M. Foskett, 2156½ Harris, Eugene, Ore.
 Henry C. Franklin, Jr., 1651 Victoria Ave., Los Angeles 6, Calif.
 Carl M. Frisen, Route 5, Box 443, San Jose, Calif.
 Norman E. Gabel, 505 Orena Ave., Santa Barbara, Calif.
 Ruth Gillard, Bard College, Annandale-on-Hudson, New York.
 Harry Girvetz, 1555 A. P. Serra, Santa Barbara, Calif.
 Heinz Graalfs, 5230 19th N. E., Seattle 5, Wash.
 Ernest Greenwood, Metropolitan Welfare Council, 729 S. Figueroa, Los Angeles 14, Calif.
 Mrs. Mercy J. Gridley, North Idaho Junior College, Coeur d' Alene, Idaho.
 Manzer John Griswold, 4546 8th Ave. N. E., Seattle 5, Wash.
 Eugene K. Hamilton, 3660 ¾ S. Glendon Ave., Los Angeles 34, Calif.
 Harry C. Harmsworth, University of Idaho, Moscow, Idaho.
 William E. Hartman, 843 E. 82nd St., Los Angeles 1, Calif.
 Norman S. Hayner, Oaxaca Courts, Calzada Parfirio Diaz #1, Oaxaca, Paz, Mexico.
 A. P. Herman, 728 Walnut Ave., Redlands, Calif.
 Gordon K. Hirabayashi, University of Washington, Seattle 5, Wash.

- Glenn E. Hoover, 4488 Reinhardt Drive, Oakland 19, Calif.
Pryns Hopkins, 1900 Garden St., Santa Barbara, Calif.
Thomas Ford Hout, 8539 East 6th, Downey, Calif.
J. Randolph Hutchins, 1017 West 37th Place, Los Angeles 7, Calif.
Ruth A. Inglis, University of Washington, Seattle 5, Wash.
Mary B. Isely, 108 West First, Aberdeen, Wash.
Harold S. Jacoby, 1634 Princeton Ave., Stockton, Calif.
Julius A. Jahn, 4006 Union Bay Circle, Seattle, Wash.
John James, 1028½ 21st., Santa Monica, Calif.
Samuel Haig Jameson, 124 West 4th St., Los Angeles 13, Calif.
Theodore B. Johannis, Jr., Box 307, Linfield College, McMinnville, Ore.
Jean B. Johnston, 1838 San Andres, Santa Barbara, Calif.
Howard D. Jolly, Building 423, Apt. 1, Stanford Village, Stanford, Calif.
Harold E. Jones, 2683 Shasta Road, Berkeley, Calif.
M. G. Jones, P. O. Box 286, Upland, Calif.
Anne F. Karon, College of the Pacific Infirmary, Stockton 27, Calif.
T. H. Kennedy, 405 Colorado, Pullman, Wash.
Betty Kent, State Department of Social Security, Olympia, Wash.
Joe J. King, Swan Island, Building No. 1, Portland - J, 18, Ore.
William Kirk, 705 Indian Hill Blvd., Claremont, Calif.
William J. Klausner, 1309 East College Ave., Redlands, Calif.
Paul H. Landis, State College of Washington, Pullman, Wash.
Richard T. La Piere, 268 Searsville Road, Stanford, Calif.
Thomas E. Lasswell, 1919 Fourth St., La Verne, Calif.
Carlo Lastrucci, San Francisco State College, San Francisco 2, Calif.
Samuel H. Leger, 1835 West 85th St., Los Angeles 44, Calif.
Edwin M. Lemert, University of California, Los Angeles 24, Calif.
V. A. Leonard, State College of Washington, Pullman, Wash.
John D. Lillywhite, 1608 Fisk St., Pullman, Wash.
Samuel Linevsky, 1951 Chestnut, Berkeley, Calif.
S. M. Lipset, University of California, Berkeley, Calif.
Harvey J. Locke, 5153 11th Ave., Los Angeles 43, Calif.
Martin Loeb, University of California, Berkeley, Calif.
George A. Lundberg, University of Washington, Seattle 5, Wash.
Donald F. McCall, Bryant & True, Box 443, Pullman, Wash.
Bessie Averne McClenahan, 5470 Victoria Ave., Los Angeles 43, Calif.
Edward C. McDonagh, 5143 Brynhurst, Los Angeles 43, Calif.
Walter T. Martin, 2174-4 Patterson Drive, Eugene, Ore.
W. W. Mather, 530 N. Laurel Ave., Upland, Calif.
Milton A. Maxwell, State College of Washington, Pullman, Wash.
William H. Metzler, 224 Mercantile Bldg., Berkeley, Calif.
Delbert C. Miller, University of Washington, Seattle 5, Wash.
David S. Milne, San Diego State College, San Diego 5, Calif.
S. F. Miyamoto, University of Washington, Seattle 5, Wash.
Joel B. Montague, Jr., 1602 Fisk St., Pullman, Wash.
Elon H. Moore, 202 Oregon Building, Eugene, Ore.
Charles R. Nedoff, 944 Scott St., Palo Alto, Calif.
Gwynne Nettler, 1 Edgecliff Lane, Santa Barbara, Calif.
Martin H. Neumeyer, 3551 University Ave., Los Angeles 43, Calif.
Robert A. Nisset, 1124 Oxford, Berkeley 7, Calif.
John Eric Nordskog, 149 South Swall Drive, Beverly Hills, Calif.
Richard L. Nugent, 660 West Jefferson, Los Angeles 7, Calif.
Robert W. O'Brien, 112 Smith, University of Washington, Seattle, Wash.
Wilson R. Ogg, 1 Orchard Lane, Berkeley 4, Calif.
Constantine Panunzio, University of California, Los Angeles 24, Calif.
Frank L. Parks, University of Washington, Seattle 5, Wash.
Elene Michell Parmely, 4152 Howe St., Oakland 11, Calif.
Jack R. Parsons, 2156½ Harris, Eugene, Ore.

- Dennis M. Paterson, 154 Harrison St., Napa, Calif.
G. R. Patton, Whittier College, Whittier, Calif.
John W. Payne, Brigham Young University, Provo, Utah.
Rev. Howard Peronteau, S. J., 900 Broadway, Seattle 22, Wash.
Hubert Phillips, 435 Terrace Ave., Fresno, Calif.
Hans H. Plambeck, 541 N. 27th, Corvallis, Ore.
Janice Pratt, 117 Linden, Modesto, Calif.
Bruce M. Pringle, 1122 Irving Ave., Glendale 1, Calif.
John Adrian Rademaker, 453 Tryon Ave., Salem, Ore.
Donald G. Reuter, 611 Salvatierra, Stanford, Calif.
C. H. Richardson, 383 Jackson St., Pasadena 6, Calif.
Ruth Riemer, University of Michigan, Ann Arbor, Mich.
William S. Robinson, University of California, Los Angeles 24, Calif.
Georges Sabagh, University of Washington, Seattle 5, Wash.
Alvin H. Scaff, 346 Harvard, Claremont, Calif.
Marvin R. Schafer, Sacramento State College, Sacramento 14, Calif.
Calvin F. Schmid, University of Washington, Seattle 5, Wash.
Philip Edward Schneider, 3910 Fulton St., San Francisco 18, Calif.
Clarence Schrag, 5564 29th N. E., Seattle 5, Wash.
Philip Selznick, 2109 Virginia Ave., Santa Monica, Calif.
Lyle W. Shannon, 4408 Union Bay Lane, Seattle 5, Wash.
Alfred W. Sheets, Willamette University, Salem, Ore.
Clara J. Simerville, 644 Harriman, Bend, Ore.
Monroe Sirkin, University of Washington, Seattle 5, Wash.
Luke M. Smith, 42 Court St., Canton, New York.
Philip M. Smith, Mt. Pleasant, Mich.
Wilford E. Smith, Brigham Young University, Provo, Utah.
William C. Smith, Linfield College, McMinnville, Ore.
Charles B. Spaulding, Whittier College, Whittier, Calif.
Allen Spitzer, 2801 Turk St., San Francisco 18, Calif.
Jesse F. Steiner, University of Hawaii, Territory of Hawaii.
Harold Hadley Story, 238 South Anita Ave., Los Angeles 24, Calif.
C. W. Topping, 4613 West Sixth Ave., Vancouver, Canada.
Ralph H. Turner, University of California, Los Angeles 24, Calif.
Rev. William S. Van Meter, 344 Hardcastle Ave., Woodburn, Ore.
Clyde B. Vedder, 625 North Orange Drive, Los Angeles 36, Calif.
Melvin J. Vincent, 2225 Ben Lomond Drive, Los Angeles 27, Calif.
Donald E. Walker, 318 Waverley, Palo Alto, Calif.
Robert C. Williamson, 3214 Berkeley Ave., Los Angeles 26, Calif.
Paul Wallin, 1715 Cowper St., Palo Alto, Calif.
Horton Webster, 2025 Cowper St., Palo Alto, Calif.
Aubrey Wendling, University of Washington, Seattle 5, Wash.
Marcus A. Williams, 10 E. Ellis, Stockton, Calif.
J. Richard Wilmeth, Central Washington College, Ellensburg, Wash.
Charles E. Woodhouse, 1233 Elm St., El Cerrito, Calif.
Richard L. Woolbert, 522 Pleasant St., Walla Walla, Wash.
Fred Yoder, State College of Washington, Pullman, Wash.
Keizo Yoneyama, Keiogijuku University, Tokyo, Japan.
Hobart N. Young, 660 Salvatierra St., Stanford, Calif.
Pauline V. Young, Route 6, Box 414, Modesto, Calif.
Roy M. Youngman, 2217¼ Scott Ave., Los Angeles 26, Calif.

June, 1949

RESEARCH STUDIES OF THE STATE COLLEGE OF WASHINGTON



	PAGE
MRS. LE VERT VISITS THE BROWNINGS: <i>Paul P. Kies</i>	67
THE OLD NATIONAL BANK OF SPOKANE (PART A): <i>Claude A. Campbell</i>	73
A COMMENT OF SHAW ON THE ATOMIC BOMB: <i>Paul P. Kies</i>	132

Pullman, Washington

Linlithgow Library.

RESEARCH STUDIES

of the

STATE COLLEGE OF WASHINGTON

EDITOR-IN-CHIEF

PAUL P. KIES, *Professor of English*

ASSOCIATE EDITORS

CARL M. BREWSTER
Professor of Organic Chemistry

HERMAN J. DEUTSCH
Professor of History

CARL I. ERICKSON
Professor of Psychology

HERBERT L. EASTLICK
Associate Professor of Zoology

Entered as second-class matter December 26, 1936, at the post office at Pullman, Washington, under Act of August 24, 1912.

Research Studies of the State College of Washington is published in Pullman, Washington, by the State College of Washington. It is issued four times a year—in March, June, September, and December.

PURPOSE. *Research Studies* is a medium of publication for articles of research in the pure sciences and arts, being limited to material making a contribution to knowledge. Its pages are open to the faculty and the advanced students of the State College of Washington. One issue each year is devoted to papers read by members of the Pacific Sociological Society at its annual convention. Suitable articles by other persons are accepted whenever space is available.

MANUSCRIPTS. Authors who wish to publish in *Research Studies* should submit their manuscripts to Paul P. Kies, Room 305, College Hall, Pullman, Washington. Though no strict limit is set as to the maximum number of pages or the nature or number of illustrations, authors are reminded that the papers must be actual research. Long introductions, unnecessary comments, and repetitions are not acceptable. Authors who will assume the expense may arrange for the inclusion of extra pages, tables, or illustrations.

SUBSCRIPTIONS. *Research Studies* will be mailed postpaid to subscribers for three dollars a year. Subscriptions are payable in advance to *Research Studies*, Correspondence Office, State College of Washington, Pullman, Washington, U. S. A.

EXCHANGE. *Research Studies* is offered in exchange to other colleges, universities, learned societies, and libraries. Publications sent in return should be addressed to the Exchange Department, Library, State College of Washington, Pullman, Washington, U. S. A. At present, all back numbers and title pages can still be supplied.

SINGLE NUMBERS. Single numbers will be sold or exchanged as long as available; orders should be addressed to *Research Studies*, Correspondence Office, State College of Washington, Pullman, Washington, U. S. A. For prices of back numbers (with the list of articles in each number), see pages 225-31 of Vol. XVIII, No. 4. The price of the present issue is ninety cents.

RESEARCH STUDIES of the STATE COLLEGE OF WASHINGTON

Volume XVII

June, 1949

Number 2

MRS. LE VERT VISITS THE BROWNING¹

PAUL P. KIES

Professor of English

Elizabeth Barrett Browning's letter of June 25, 1855—recently published by the present writer²—contains the following passage: "I have seen your, America's, & the world's, Mrs. Le Vert. She kissed me on both cheeks. She wore a Napoleonic jacket of green velvet and golden bees,—was more royal than the new dynasty bey[olnd] any manner of comparison."

The Mrs. Le Vert referred to was Octavia Walton Le Vert. Definite identification is made by the fact that this woman mentioned the same meeting in her *Souvenirs of Travel*.³ Her account of the occasion will be quoted later.

Though almost forgotten now, Mrs. Le Vert (1810-1877) was extremely prominent in her own day. The "Publishers' Preface" of *Souvenirs of Travel* declared, "Madame Octavia Walton Le Vert is perhaps more widely known, in a social way, than any other American lady."⁴ She was highly talented and evidently had a remarkable personality. Her paternal grandfather was George Walton, a signer of the Declaration of Independence; her father was territorial secretary and later acting governor of Florida. "Her mother and grandmother, both women of intellect and culture, vied with each other in developing her early life, and at twelve she could converse in three languages." Lafayette said of her when she was only fifteen, "She has been conversing, with intelligence and tact, in the purest

¹Published December 28, 1951. The author is indebted to Doctor Frank Towne for valuable assistance in connection with this article.

²*Research Studies of The State College of Washington*, XVIII (1950), 223-24. An examination of the text by means of a photograph, which has made the writing somewhat clearer than on the original manuscript, has led to the conclusions that, in the last sentence of the fourth paragraph, Mrs. Browning wanted to delete "but" before "was more royal," and that, in the third sentence of the first paragraph, she intended the correct spelling of "Elysées" (rather than "Elysée"). In the second sentence of the fourth paragraph, "Mrs" seems to be spelled "Ms"; this is followed by a puzzling exclamation point, which may be merely a slip of the pen, inasmuch as the letter gives the impression of having been written very hastily. A photographic copy is printed with the present article.

³Second printing (New York: Derby and Jackson, 1859), II, 228-29.

⁴*Ibid.*, I, p. vi.

What could be expected from two fools
 & a bride & bridegroom... which one survives
 one? I ask if I you. The answer is
 that we eat only our boxes & not
 our heads.

When will you come? I have

seen your America's, & the world's,
 W. L. Le Vert. She helped me on both

cheeks. She wore a Napoleonic
 jacket of pure velvet and ^{golden} lace, but
 was more royal than the ones

dignified beyond any manner of comparison.

Sarcanna was delighted to

have per note & bids me per

you her love. She was very & gentle
 but I worried the pen & wrote this.

in per affectionate M. a
 (if you don't believe what
 a full signature, I).

Elizabeth Stewart Browning

Monday - June 25.

French." "In 1833-34 she made a tour of the United States, having the *entrée* to the most select circles of the large cities, and everywhere was the reigning belle." "She had great conversational powers, and made personal friends with many of the eminent men of the day, such as Clay, Calhoun, and Webster." After the Civil War, when she was a widow (in 1836 she had married Dr. Henry Le Vert, who died in 1860), she "visited New York for a while with her two daughters, where she was the centre of a literary and fashionable circle."⁵ Mrs. Browning, in the passage quoted above, characterized Mrs. Le Vert as "more royal than the new dynasty bey[olnd] any manner of comparison."

In 1853, as a result of her strong personal friendship with Lady Emeline Stuart Wortley, daughter of the Duke of Rutland and member of the household of Queen Victoria, and with Frederika Bremer, a Swedish novelist, Mrs. Le Vert visited Europe, where she obtained "immediate *entrée* into the highest society."⁶ In 1855 she made a second European tour. She kept a diary and wrote frequent letters to her mother about her travels, visits, and sight-seeing. These letters, with excision of the more personal matters and with supplementation from the diary, were published in 1857 in two volumes as *Souvenirs of Travel* and reprinted in 1859; but copies are now very rare. The near oblivion of the work is unfortunate, inasmuch as it contains many interesting passages.

Because Mrs. Le Vert was such a prominent American of the time, her reactions to the Brownings are of considerable interest to us. She reported the first meeting as follows:

The topic of this night's *tête-à-tête* with you, dear Mamma, must form a letter apart from the excessively long one written yesterday.

I have spent the evening at the *Casa Guidi*, with Mr. and Mrs. Browning, whose poems we have read with such earnest pleasure at home. We have mutual and dear friends in England, and soon after my arrival, we called upon them, and have found in their acquaintance another link of enchantment to bind Florence to memory forever.

During all the years of her early life, Elizabeth Barrett was an invalid, shut in from society, and often even from the conversation of friends. While a close prisoner in her chamber, she wrote beautiful and noble poems, which have made the delight of many a household beyond the Atlantic, and the joy of her compatriots. Robert Browning, himself a poet, a man of rare talent and great personal attraction, read these outpourings of her pure and gifted

⁵ *The National Cyclopaedia of American Biography* (New York), Vol. VI (1896), pp. 440-41.

⁶ "Publishers' Preface" of *Souvenirs of Travel*, p. viii.

mind, and loved the unseen authoress. After many weary months of entreaty, he was allowed to visit her, as she lay upon the sofa of her boudoir. I need not tell you, the sight of her sweet and gentle face, and her beaming, soul-lit smile, completed the conquest her genius had commenced. He married her, and brought her immediately to Italy, where they have ever since resided. Although her health is still delicate, and requires the unceasing watchfulness of love and friendship, she becomes every year stronger in this delicious clime, and is the happy mother of a lovely little boy.

Robert Browning is an admirable man, frank, cheerful, and charming. He is said to be the most captivating conversationist on the Continent; (however, I think there are some in America quite equal to him). There is a genial warmth, and a sparkling merriment, in his words, which made us friends at once. Then Mrs. Browning I loved directly. Oh! she is indeed a precious gem! With all her varied and profound learning, and high poetic gift, she is as simple and unassuming in manner as a child. What a visit of joy it was to me, in their love-sanctified and art-beautified home. Their union seems perfect in happiness, the mind as well as the heart having met its own affinity. When we parted, after some hours of delightful conversation, wherein the bright and tender nature of Elizabeth Browning shone like soft beams of light, I felt as though years of pleasant acquaintance had passed between us.⁷

The time of this first meeting was the latter part of May, 1855. In the third sentence of the extract just quoted, Mrs. Le Vert stated that she called upon the Brownings soon after her arrival in Florence, which seems to have been on May 17 (in the evening).⁸ The letter with the account of this visit was evidently written May 27, and she left Florence at six o'clock in the morning of May 29.⁹

In the evening before Mrs. Le Vert's departure from the city, Mrs. Browning went out even at night to attend a farewell party in honor of the American tourist:

Going to our hotel, we quickly made our evening toilette, and drove to Mrs. Kinney's, where she had assembled a large party to do honor to my last evening. It was a perfect bouquet of notabilities, of poets and poetesses, of sculptors and painters. In truth, there was not a single uninteresting person in all the gathering. . . .

An enchanting evening we spent, you may suppose, amid such genial, refined, and cordial people. Mrs. Browning, who rarely ever goes out at night, paid me the compliment of coming on my account. I cannot tell you how pained I was to part with these kind friends; it seemed as though I had known and loved them always. But the sad moment came at last; and with tears, and earnest blessings, we separated.¹⁰

⁷ *Souvenirs of Travel*, II, 228-29.

⁸ *Ibid.*, II, 211-18.

⁹ *Ibid.*, II, 236-39.

¹⁰ *Ibid.*, II, 238-39.

In summing up her stay in Florence, Mrs. Le Vert used the adjective "intellectual" in connection with the Brownings.¹¹

Mrs. Le Vert mentioned, in the third sentence of the first passage quoted above from *Souvenirs of Travel*, that she and the Brownings had "mutual and dear friends in England." One of these was Euphrasia Fanny Haworth, who was an intimate friend of the Brownings and whom Mrs. Le Vert had met two years before. Under date of June 30, 1853, while in England during her first tour of Europe, Mrs. Le Vert wrote:

We passed this evening with Miss Fanny Haworth at Brompton. She is a sweet poetess, an exceedingly accomplished woman, and an excellent artist. In her pleasant circle we met many agreeable persons. Among them Baron Marichetti, the sculptor, who had just sent over to America his statue of Washington. He is a noble, gallant-looking man.¹²

Five days later Mrs. Le Vert was accompanied during the morning and entertained at lunch by Miss Haworth:

July 5th.—This has been a charming morning. Miss Fanny Haworth kindly accompanied me to visit Miss Westmacott, the daughter of Sir Richard Westmacott, the celebrated sculptor, many of whose works I have seen in the Westminster Abbey. She was a delightful person, and took us to her father's studio, where we saw many fine statues and models. . . .¹³

At lunch at Miss Haworth's we met a gentleman who is a firm believer in the "Spirit Rappings." He was intellectual and agreeable, and has written a book on the subject of the "tables moving." Although coming from the home of the art, the science or the "humbug," I could give them no experiences, never having seen any manifestations of it. In consequence, I have been told, by those versed in the mysteries, of my being a sceptic.¹⁴

Miss Haworth had evidently written direct to the Brownings about Mrs. Le Vert before June 25, 1855, or given the American lady a letter of introduction, or perhaps had done both. In the passage quoted above from the letter of the date just mentioned, addressed to Miss Haworth, Mrs. Browning used "*your*" in writing of Mrs. Le Vert: "I have seen your, America's, & the world's, Mrs. Le Vert."

Mrs. Le Vert probably never saw the Brownings again after the meetings of 1855, for she did not make any subsequent trips to Europe. They may have continued their new friendship through correspondence, but there seems to be no record of any letters that passed between them.

¹¹ *Ibid.*, II, 230.

¹² *Ibid.*, I, 24.

¹³ *Ibid.*, I, 45.

¹⁴ *Ibid.*, I, 46.

THE OLD NATIONAL BANK OF SPOKANE: The Pioneer "Big Bank" of Spokane and the Inland Empire¹

CLAUDE A. CAMPBELL
Associate Professor of Economics

PART A

I. INTRODUCTION.

The fact that the Old National Bank of Spokane is one of the most famous pioneer financial institutions of the Pacific Northwest is well known. However, knowledge of the precise role which it played in the evolution of this area, especially during the quarter of a century when it was the leading bank of Spokane and the Inland Empire, at that time the frontier of the Pacific Northwest, is not equally widespread. The purpose of this study is to trace the growth and make an economic analysis of this outstanding commercial banking institution as a stimulating and effective force in the development of this region in the formative period of its history.

In order to trace the growth of the Old National Bank of Spokane, it is necessary to indicate briefly the background and setting out of which it originated. It was founded within only eighteen years after the first settlers arrived at Spokane, within a little more than twelve years after the first bank was organized in Spokane, and within slightly more than two years after Washington became a state. It was the eighth national bank organized in Spokane, and at the time when it came into existence, it was one of the seven² operating there and one of the sixty-four operating in the state of Washington. At that time Spokane, which was already one of Washington's leading and prosperous centers, was approaching the end of a period of speculation and

¹ Financial assistance for this study was supplied by the School of Economics and Business, largely through the Bureau of Economics and Business Research. For helpful editorial suggestions and constructive criticism, the author expresses appreciation to Doctors Herman J. Deutsch and Carl I. Erickson, Associate Editors of *Research Studies*, and especially to Doctor Paul P. Kies, Editor-in-Chief of *Research Studies*.

Editors' Note: The editors of *Research Studies* regard this article as a significant contribution to a phase of the history of the Pacific Northwest in which there is a serious dearth at present. They hope that more such material will be published. Published December 28, 1951.

² The Spokane National Bank had suspended operations early in 1891.

overexpansion, as were many cities in Washington and other parts of the nation. It was perhaps fortunate for the Old National Bank of Spokane that it should have come into existence at just that time.³

The Old National Bank of Spokane was a direct successor to the Pacific Bank, which S. S. Glidden,⁴ whose residence was at "Tiger Mine, Idaho," and his associates had chartered in Spokane just prior to the "great fire of 1889."⁵ Glidden, who had made a considerable fortune in mining and who had already become a director of the Citizens National Bank, became president of this bank; and D. P. Jenkins and O. F. Hall, residents of Spokane, became vice-president and cashier, respectively. The Pacific Bank began operation in the "Old Northern Bank building" at the southwest corner of Monroe Street and College Avenue on the "North Side."⁶

At the time of the creation of the Pacific Bank, Spokane was nearing the height of the boom which had got well under way in 1887 and which did not entirely spend itself until the panic

³ Lloyd Spencer and Lancaster Pollard, *A History of the State of Washington* (New York: The American Historical Society, Inc., 1937), II, 235-43.

⁴ S. S. Glidden, a native of New Hampshire, had been engaged in the mining and manufacturing of iron in Ohio, Tennessee, and Alabama, respectively, from 1847 to 1881, when he had gone to St. Paul and organized the wholesale grocery firm of Glidden, Griggs & Co. He came into the Pacific Northwest to establish stores at Thompson Falls, Montana, and Murray, Idaho, with the first trainload shipment of goods for one firm which the Northern Pacific Railroad Company transported into the area. Glidden, who "caught the mining fever" when he arrived in the Coeur d'Alenes, and decided to remain in the Pacific Northwest, owned the first quartz claim in the area at Burke, Idaho. When the "famous Tiger mine" was a "mere prospect," he purchased it for \$35,000 and supervised its operation himself. After the consolidation of the Tiger and Poorman mines in the early nineties, he was active in the management of the Tiger-Poorman until about 1897, when he sold his interest in the business. From then until his retirement late in 1902, he was engaged almost exclusively in the banking business, which he had entered in 1889. When Glidden retired after a career of more than fifty years as an active business man, he said that he had been "at the head of every business undertaking" with which he had been connected since he was twenty-one years of age and that he "had never met with failure." *Spokesman-Review*, Oct. 10, 1902; Harry Hook and F. J. McGuire, *Spokane Falls Illustrated . . . a History of the Early Settlement and the Spokane Falls of To-day . . .* (Minneapolis: Frank L. Thresher, 1889), p. 56.

⁵ The Pacific Bank did not appear, however, in the list of banks in the city directory for 1889. *Spokane Falls City Directory, 1889* (Spokane Falls, Wash.; R. L. Polk & Co., 1889), I, 32.

⁶ *Spokesman-Review*, Oct. 10, 1902, and March 2, 1935.

of 1893.⁷ Generally, business men and civic leaders, who had observed and participated in the developments of the few preceding years which had laid the foundation for the current expansion,⁸ were enthusiastically and somewhat indiscriminately engaged in sound, promotional, and definitely speculative enterprises. The most optimistic visualized Spokane as a "Minneapolis of the Pacific Northwest" in manufacturing and as the "Denver of the new West" in mining⁹. Nor did Spokane's business and civic leaders fail to emphasize its latent possibilities as a thriving wholesale center for a large and fertile agricultural region and for an extensive and rich lumbering area as well as for manufacturing and mining districts since at least the most enthusiastic of them felt "it is, and will ever remain, the most important railroad center of the Pacific Northwest."¹⁰

According to one account, the bankers of Spokane, "among the shrewdest and most liberal bankers of the country," had been "foremost in all the enterprises that have advanced the the interests and prosperity of the city." They had been "very liberal," it continued, in aiding "many a struggling business concern during the trying period of pioneer life."¹¹ At any rate, the number of banks had increased from three, with a paid-in capital of less than \$200,000 and deposits of \$810,633, in 1887, to ten, with a capital of \$1,150,000 and deposits of \$2,800,000, by August, 1889.¹² Because the Pacific Bank does not appear in any of the various lists of banks in existence in 1889,¹³ it was apparently still in the process of organization.

⁷ Spencer and Pollard, *op. cit.*, pp. 235 and 238-43; N. W. Durham, *History of Spokane and Spokane County Washington from Its Earliest Settlement to the Present Time* (Spokane-Chicago-Philadelphia: The S. J. Clarke Publishing Co., 1912), I, 374 ff.; Jonathan Edwards, *An Illustrated History of Spokane County, State of Washington* (place of publication not given: W. H. Lever, 1900), pp. 60-61 and 64-66.

⁸ Review by an "unknown writer" in the *Daily Review* (Spokane) of August 4, 1890, quoted in Durham, *op. cit.*, p. 412.

⁹ Hook and McGuire, *op. cit.*, p. 6.

¹⁰ *Ibid.*, pp. 6-12.

¹¹ *Ibid.*, p. 12. This probably refers to the banks which had been in operation for several years, that is, the Bank of Spokane Falls, the First National, and the Traders National. Edwards, *op. cit.*, p. 115.

¹² *Ibid.* By the end of the year, bank deposits, not including deposits of two savings banks, amounted to \$3,212,832. Durham, *op. cit.*, p. 422.

¹³ *Spokane Falls City Directory, 1889*, I, 32; Hook and McGuire, *op. cit.*, p. 423; Spencer and Pollard, *op. cit.*, p. 242. In his list, which includes banks that came into existence before 1900, Edwards refers to the Old National Bank as the successor of the Pacific Bank.

Despite the "great fire" of August 4, which virtually destroyed the business district of the city, 1889 was a year of progress for Spokane. According to the annual report of the Board of Trade, its population increased from 15,000 to 25,000, and it experienced a commercial growth of 100 per cent. The assessed value of county and city real and personal property was \$15,131,928. The *value* of buildings erected and under construction between the time of the fire and the end of the year was \$3,020,500. Thus Glidden, "a pioneer merchant, mine developer and railroad builder of keen sagacity and enterprise," entered upon his career as one of Spokane's early bankers at a time when the city and its surrounding area were growing rapidly.¹⁴

According to the *Spokane Falls City Directory*, 1890, apparently published very late in the year, the city's banking interests represented a total capital of \$1,875,145, held by eleven banks,¹⁵ whose management was in the hands of men of "extensive financial and banking experience, whose conservative methods have the entire confidence of the people." The Directory's list of banks included the Pacific Bank, named July, 1890, as the date of its organization, and gave its authorized capital as \$250,000, the largest capitalization of any bank in the city.¹⁶

The advertisement of the Pacific Bank claimed a capital stock of \$300,000. It mentioned the commercial and savings department, announced the payment of interest on deposits, and stated that the bank would make loans on real estate, personal and collateral security at "lowest rates." A picture of the bank with the name plate "Pacific Bank" appeared in the advertisement.¹⁷

II. GLIDDEN ERA (1891-1902).

Within a short time after Glidden and his associates had founded the Pacific Bank, they decided that they would convert it into a national bank. Accordingly, he and his associates secured

¹⁴ Durham, *op. cit.*, pp. 422, 425, and 388.

¹⁵ The Directory's list of banks, appearing on pp. 63-64, consisted of 10 banks, 2 savings banks, 1 savings department of a loan company, and 1 organization called Washington Safe Deposit Vaults. Their combined capital, exclusive of that of the savings department of the loan company and that of the Washington Safe Deposit Vaults (organized May, 1890) was \$1,450,000.

¹⁶ Pp. 35, 63-64. According to W. D. Vincent, the Pacific Bank was a state bank. *Spokesman-Review*, Jan. 6, 1929.

¹⁷ Blue slip of paper inserted between pp. 62 and 63 of the *Spokane Falls City Directory*, 1890, Vol. II (Spokane Falls, Wash., 1890).

the charter, No. 4668, for the Old National Bank of Spokane on November 28, 1891. The bank had a capital stock of \$250,000.¹ Its first officers were the same as those of the Pacific Bank. Glidden, the president, had the reputation of being qualified to handle the difficult business of banking because he had had considerable experience as a bank director and had proved in the business world that he was both "a man of affairs and a man among men."² W. D. Vincent, a young man who had had some experience in banking in his native town of Macon, Missouri, between 1885 and 1891, when he came to Spokane, assisted in organizing the bank and became one of its first bookkeepers. The first board of directors were: S. S. Glidden, president; H. B. Wadsworth; Julius Galland, president of Galland-Burke Brewing and Malting Company; O. F. Hall; J. A. Paterson; F. R. Culbertson, a Spokane merchant, who was a son-in-law of Glidden and an associate of his in mining development; and H. T. Fairlamb.

The Old National Bank of Spokane, which had acquired the business of the Pacific Bank, began operating in a building at the southwest corner of North Monroe Street and College Avenue on December 22, 1891. A very short time later, the officials of the bank changed its location to the southwest corner of Main and Howard Streets, where it opened for business on January 4, 1892.³

The management of the Old National Bank of Spokane very quickly acquired correspondent banking connections in all parts of the country. These connections put it in position to issue drafts to all parts of the world. The Seaboard National Bank of New York City transacted the business of this bank in that center. For the business in British Columbia and other areas of Canada, its agents were the Bank of British North America and its branches.⁴

Meanwhile the boom which Spokane had been enjoying since 1887 continued largely unchecked until the panic of 1893. At the beginning of 1893 itself, prospects for business were excellent. The prosperity which had characterized trade and industry in

¹ *Annual Report of the Comptroller of the Currency . . .* (Washington: Government Printing Office, 1934), 360.

² *Spokesman-Review*, Sept. 28, 1896. See above, n. 4 in §I.

³ *Spokesman-Review*, Sept. 29, 1898, Oct. 10, 1902, and March 2, 1935; unpublished manuscript written on the occasion of the "50th Birthday of the Old National Bank of Spokane, 1891," in the personal files of R. W. Jones, vice-president of the Old National Bank of Spokane.

⁴ *Spokesman-Review*, Sept. 29, 1898.

1892 promised to carry over into 1893. There was increased activity in mining. Irrigation was just beginning in the Inland Empire, and a heavy snowfall gave promise of good crops. However, the panic, during which there was a relatively low rate of failures among banks of eastern Washington generally, took a heavy toll of banks in Spokane.⁵

There were several reasons for this. Important ones were speculation and overexpansion, particularly in real estate and construction following the "great fire" of 1889. The fact that Spokane was a new commercial center and therefore depended largely upon credit for carrying on business accentuated the bad effects growing out of these evils. Probably the greatest, and certainly the most immediate, factors in Spokane's acute financial distress at this time, however, were the failure of A. M. Cannon's Bank of Spokane Falls on June 5, 1893, and the failure on June 6 of two institutions affiliated with it under the vice-presidency of Cannon: the Washington National Bank and the Washington Savings Bank. Because Cannon was one of Spokane's most enterprising business men and was at that time its leading financier,⁶ the impact of these failures upon the public was tremendous. As a result of a "hard run," the Citizens National Bank closed just before the end of the same day on which the Washington Savings Bank and the Washington National Bank had earlier suspended payment.⁷ After a "steady run of fifty days," the First National Bank went into liquidation on July 26. Thus, within a very short time both the number of Spokane's banks and the amount of its banking capital had decreased by more than one half.⁸

The following significant excerpts from an editorial entitled "The Bank and the Public" reflected a somewhat too optimistic view of the general financial conditions in Spokane during the latter part of the summer of 1893:

So far as the Spokane banks are concerned, the financial storm has blown over, and these institutions are riding easily at anchor. They carry an extraordinarily large percentage of cash assets—fifty-four per cent—larger than is carried by any other banks in the country, either West or East—and if they

⁵ Spencer and Pollard, *op. cit.*, II, 243; Durham, *op. cit.*, 49.

⁶ Spencer and Pollard, *op. cit.*, II, 237.

⁷ This bank subsequently resumed operation for a while.

⁸ E. J. Dyer, "Growth of Banking," an article in a special section of the *Spokesman-Review*, Jan. 1, 1903; Spencer and Pollard, *op. cit.*, II, 241-43; Durham, *op. cit.*, I, 449-50.

could have assurance from the depositing public that they would be subjected to no further abnormal drain, they could readily go ahead and give substantial support and relief to the merchants of the city.⁹

The Spokane bankers have the matter largely in their own hands. The flurry is over,¹⁰ and they are strong in cash reserves. If they would come together and give the public to understand that they will sustain each other under all circumstances, that action would do more to restore confidence than any other course that might be pursued. Confidence thus restored, some of the abnormal reserve could be safely loaned out on good security, and the situation would be wonderfully improved.

It is useless to talk confidence to the people. It is the duty of the bankers to give the people confidence. Will they?¹¹

The Old National Bank, the newest of Spokane's seven national banks, was one of the three national banks which survived the ordeal of the panic of 1893. Comparative statements of its condition at the close of business on December 18, 1893, and December 18, 1894, revealed that the bank, the smallest of the surviving national banks, had been carrying on operations in a very cautious yet somewhat constructive manner during those years. Its resources and liabilities increased from \$446,540 to \$507,332 during this period. Loans and discounts rose from \$267,171 to \$271,441, a very slight gain. During the year the bank, which had had no real estate on December 18, 1893, acquired real estate to the value of \$10,749, perhaps as a result of foreclosures. The bank increased its holdings of stocks and bonds other than securities of the United States Government more than three and one-half times. There was a considerable increase in the amount due from banks and in cash on hand. Deposits rose from \$133,927 to \$203,616. Surplus and undivided profits for the year amounted to only \$9,276, a decrease of \$8,337 from the preceding year. There was no change in the bank's original capitalization of \$250,000. In view of the soundness of the bank's position, its officials felt justified in soliciting new accounts.¹²

In 1894, as the business of the Old National Bank continued

⁹ *Spokane Review*, Aug. 7, 1893.

¹⁰ This was not quite true. The Citizens National Bank, which had reopened after its suspension in June, closed finally November 22, 1894. On the same day, the Browne National Bank, by the voluntary choice of J. J. Browne, its founder and president, ceased to do business. Durham, *op. cit.*, I, 462.

¹¹ *Spokane Review*, Aug. 7, 1893.

¹² *Spokesman-Review*, Dec. 30, 1894. The *Spokane Review* was succeeded by the *Spokesman-Review*, formed by the consolidation of the *Spokane Review* and the *Spokesman*, on June 29, 1894.

to increase with the passing of the panic of 1893, its officials rented the Marble Bank building at the corner of Riverside Avenue and Mill Street¹³ as quarters for their institution at a monthly rate of \$125 for the first year. The new home of the Old National Bank, which was "built entirely of blue marble, with elaborate interior decorations" and "fitted up in mahogany," was "regarded as the handsomest bank building west of Chicago."¹⁴

The Old National Bank's success during the period of financial stringency in 1893 and 1894 is largely attributable, it seems, to the conservative character of its management. There was no change among its operating officials and only one change, the dropping of one member, in its board of directors during this period.¹⁵

As a result of the failures of four of Spokane's national banks, its one private bank, and its three savings banks during the severe financial stringency of 1893 and 1894, the number of banking institutions in the city was indeed small at the beginning of 1895. It included only the three national banks—that is, the Traders' National Bank, the Exchange National Bank, and the Old National Bank, which had come through the panic "without a scratch, stronger and firmer than ever before"—and one private bank, the Spokane and Eastern Trust Company, which had come into existence in 1890 but which had not entered the "real banking business" until 1894.¹⁶ Though it may or may not be that these four banks actually led in bringing about Spokane's speedy recovery from the panic of 1893, they were in position to participate

¹³ This structure had been erected in 1892 by A. M. Cannon, the founder of the Bank of Spokane Falls, Spokane's first bank. Because Cannon's bank failed in the panic of 1893, however, it was never housed in the building. Howard H. Preston, "Banking and Finance," pp. 303-16 in *Building a State, Washington, 1889-1939*, ed. Charles Miles and O. B. Sperlin (Tacoma: Washington State Historical Society, Pioneer, Inc., 1940), p. 306.

¹⁴ In the spring of 1900, officials of the Old National Bank purchased the Marble Bank building for \$170,000. *Spokesman-Review*, Sept. 29, 1898, Oct. 10, 1902, and March 2, 1935.

¹⁵ Its officers were: S. S. Glidden, president; Moritz Thomsen, vice-president; and W. M. Byers, cashier. Its directors were Moritz Thomsen, S. R. Stern, F. R. Culbertson, E. L. Powell, J. P. Graves, S. S. Glidden, W. M. Byers, and T. S. Lamborn. This group included one of the bank's original officers, Glidden, and four of its original directors: Thomsen, Stern, Culbertson, and Glidden. Julius Galland, one of the bank's original directors, was not a member of the directorate after 1893. *Spokane Review*, Jan. 7, 1893, and Jan. 10, 1894.

¹⁶ *Spokesman-Review*, Dec. 27, 1896, and Jan. 1, 1897.

largely in the renewed economic activity not only in Spokane itself but also throughout the Inland Empire.

Spokane—which one writer has claimed was not “on a standstill” even in 1893 and 1894, although it “suffered from the panic” with the rest of the country—began to recover quickly from the effects of the depression. Perhaps, as he further contended on the basis of its increased business in 1895, Spokane did this “while the rest of the world was debating whether to return to prosperity or not.”¹⁷ Not even the general uncertainty and slackening of business characteristic of a year in which a presidential election occurs stayed the rising tide of Spokane’s prosperity in 1896.

On January 1, 1897, the *Spokesman-Review* published a special edition devoted in great part to a recounting of Spokane’s growth and prosperity. The city of Spokane had gained in population. There had been a sizable increase in construction. Business enterprises, both commercial and industrial, had prospered markedly. The people of Spokane, however, wisely attributed their “marvelous” prosperity not primarily to urban developments but rather largely to activity along numerous lines throughout the Inland Empire, of which Spokane wished to be, and was indeed coming to be,¹⁸ recognized as the commercial and financial capital.¹⁹ The opening of new mines, the recultivation of old fields, very probably as a result of higher prices for wheat, the planting of new orchards, the growth of the lumbering industry, and the extension of railroad lines all contributed to Spokane’s increased wealth.

¹⁷ Edwards, *op. cit.*, pp. 66-67.

¹⁸ The writer of a brief editorial entitled “Spokane’s Prosperity” in the *Spokesman-Review’s* special New Year’s edition said that Spokane, realizing that its prosperity depended upon the surrounding areas, “gracefully” accepted compliments like the following from the *People’s Press* of Dayton: “The city of Spokane now claims to be the principal banking center of this state. As other business lines are pretty apt to follow where the money goes, Spokane is to be congratulated. Eastern Washington is indeed proud of her commercial metropolis. Spokane has gone steadily ahead in spite of the general business depression during the past three years.”

¹⁹ Spokane now had five banks. As a result of the “big Sprague fire” and the transferring of the Northern Pacific’s car shops from Sprague to Spokane, officials of the First National Bank of Sprague, which had come out of the panic of 1893 with its original capital doubled and “some” \$20,000 in surplus and undivided profits, moved their institution to Spokane, where it began operation as the Fidelity National Bank with a capital of \$100,000 in 1896. Edwards, *op. cit.*, p. 657; *Spokesman-Review*, Jan. 1, 1897.

Early in the fall of 1896, Dun and Bradstreet's report showed that Spokane led the country in its relative bank clearings, having had the largest percentage increase, 52.4%, in bank clearings over the corresponding week in the preceding year of any of the principal cities in the United States. In the state itself, Spokane's clearings were over one-third higher than those of either Seattle or Tacoma. Besides, those of Spokane were increasing notably, whereas those of both Seattle and Tacoma were decreasing.²⁰

At the end of the year, statistics showed convincingly that the business of the banks of the "leading banking town of the State"²¹ was increasing rapidly. Spokane had a banking capital of \$850,000. Total bank deposits amounted to \$2,026,937, an increase of \$999,581 over December, 1895. Loans and discounts, which were \$1,564,788, showed a gain of only \$24,050 over those of December, 1895. The relatively rapid growth in both deposits and loans and discounts from 1895 to 1896 indicated that the banks were taking an increasing part in the reviving economic activity of Spokane and the Inland Empire. There were increases of \$14,424 and \$394,020 in net surplus and undivided profits and in cash and exchange, respectively, during the year. Moreover, bank officials, probably still mindful of the distressing experiences of the panic of 1893, had held and were continuing to hold about sixty per cent of the deposits in their institutions in cash. Apparently Spokane did have banks of "great strength and stability" which, at least to some degree, reflected the city's "financial greatness" as well as its "commercial greatness." It seemed obvious that Spokane was emerging from a period when money was scarce, from a time when banks, despite their holdings of good assets, were all "close run for money" and their customers had difficulty in obtaining sufficient loans to conduct their respective businesses, even at exorbitant (12 to 18%) rates of interest.²²

The Old National Bank, the third largest of Spokane's five banks, shared largely in Spokane's renewed economic activity. For some reason, however, it reduced its capital from \$250,000 in

²⁰ *Spokesman-Review*, Oct. 10, 1896.

²¹ *Ibid.*

²² *Ibid.*, Jan. 1, 1897; Dyer, "Growth of Banking," *loc. cit.*

either 1895 or 1896.²³ Although it continued constantly to increase the amount of its cash and exchange—which was about fifty-five per cent greater in December, 1896, than it had been in December, 1893, and about forty-five per cent greater in December, 1896, than it had been in December, 1895—the bank increased the volume of its loans and discounts very substantially. Because the absolute increase in its loans and discounts between December, 1893, and December, 1896, was three times that of the total of all of Spokane's other banks and because its proportionate increase was about ten per cent greater than that of the total of all of Spokane's other banks between December, 1895, and December, 1896, it seems reasonable to conclude that the Old National Bank was making a strong and noteworthy effort to supply as much as it possibly could of the credit which Spokane and the Inland Empire greatly needed. Its deposits, which were nearing a half million dollars by December, 1896, and which had more than tripled since December, 1893, increased about fifty-five per cent between December, 1895, and December, 1896. Since the total deposits of all of the banks in Spokane had not quite doubled between December, 1893, and December, 1896, and since their proportionate increase between December, 1895, and December, 1896, was about five per cent less than those of the Old National Bank, that institution was apparently making more than the average gain in deposits. Its net surplus and undivided profits, which had sunk from \$17,613 in December, 1893, to zero by December, 1895, amounted to \$13,223 by December, 1896.²⁴

Spokane's exceptionally quick recovery from the panic of 1893 helped to make the city highly prosperous during the last few years of the nineteenth century, in next to the last decade of which it had become incorporated. At the beginning of 1897, the banks of Spokane had big reserves and their deposits, which were almost twice what they had been in 1893, were comparatively large. That year proved to be the most productive that Washington had ever known, and prices were "remunerative." As a result,

²³ The article on banks in the special New Year's edition of the *Spokesman-Review* in 1897 gives the Old National Bank's capital as \$200,000 in both 1895 and 1896. However, according to *Moody's Manual of Investments . . .* (New York: Moody's Investors Service, 1934), p. 197, officials reduced the capital of the institution in 1896.

²⁴ *Spokesman-Review*, Dec. 30, 1894, and Jan. 1, 1897; Dyer, "Growth of Banking," *loc. cit.*

Spokane, whose prosperity was solidly and broadly based on the products of the land, forests, and mines in the area surrounding it, profited greatly. Merchants did a "rushing business." Hotels and lodges were full. There were no empty houses, although rents had risen. The increase in construction was sizable. Postal receipts, which amounted to \$64,762, showed a gain of over \$12,000 over the previous year. The city's assessed valuation was almost five million dollars higher than it had been in the preceding year and stood at \$20,210,063.²⁵

The prosperity which had characterized 1897 continued through the last two years of the century. The banks of Spokane continued both to promote and to share in it. They distributed dividends totaling \$50,000 for 1899, with rates ranging from ten per cent for two banks to three per cent for a third and to two per cent for a fourth. The Old National Bank, recognized as "one of the most stable banking institutions of Spokane,"²⁶ declared no dividend but added \$5,000 to its surplus, which was equivalent to a two and one-half per cent dividend.²⁷

Even before the turn of the century, Spokane had definitely established itself as the chief trading center of the portion of Washington east of the Cascade Mountains, the northern part of Idaho, the western section of Montana, and the mining districts of British Columbia, which lay north of the border separating Washington and Canada. Judging from its bank clearances, generally a rather accurate index of the economic activity in a city, Spokane had kept pace with, or perhaps set the pace for, the economic growth and development of this expanded trading area. Because its bank clearances had more than quadrupled in the five-year period between December, 1894, and December, 1899, and then amounted to the relatively large sum of \$63,996,255,²⁸ Spokane had tangible ground for entering upon the twentieth century with genuine optimism and with the will to strive for still greater achievement.

On the basis of bank clearances, which suffered a decline, the first year of the new century proved to be somewhat disappointing. The slump, however, was neither large nor long-lived. There was

²⁵ *Spokesman-Review*, Jan. 1, Nov. 26, and Dec. 1, 1897; Edwards, *op. cit.*, p. 116.

²⁶ *Spokesman-Review*, Sept. 29, 1898.

²⁷ *Ibid.*, Jan. 5, 1900.

²⁸ *Ibid.*, Dec. 31, 1905.

a slight upward trend in 1901 and a very decided upturn in 1902.²⁹

It was at this propitious time that probably the most significant event in the history of the Old National Bank occurred. S. S. Glidden, president of the Old National Bank, who had engaged in the banking business almost exclusively since the disposal of the bulk of his mining interests about five years earlier, indicated his desire to retire from business altogether.³⁰ At that time, he recommended to James C. and John Twohy, heads of the firm of Twohy Brothers, Railway Contractors, located in Spokane, the purchase of the controlling interest in the Old National Bank of Spokane, as offering an "excellent opportunity for a younger man."³¹

III. EARLY YEARS OF TWOHY'S PRESIDENCY (1902-09).

On the invitation of his brothers, D. W. Twohy, an experienced banker, who was then president of the Northwestern National Bank of West Superior, Wisconsin, came to Spokane and investigated the condition of the Old National Bank. Subsequently, upon his recommendation and after "considerable negotiations," James C. Twohy of Spokane and his associates—Peter Larson of Helena, Montana, T. L. Greenough of Missoula, Montana, J. D. Farrell of Seattle, and D. W. Twohy—acquired control of the institution through the purchase, for an undisclosed price, of the entire holdings of S. S. Glidden and F. R. Culbertson, vice-president, which constituted more than a majority of the shares of its capital

²⁹ "1927 Annual Statistical Report of the Spokane Chamber of Commerce," pp. 5-8.

³⁰ It seems highly probable that Glidden had always largely determined the policies of the Old National Bank. Changes in membership of the board of directors, which had included the names of many prominent individuals from time to time, had been rather frequent, particularly between 1894 and 1899. Glidden himself and F. R. Culbertson, vice-president, who had been associated with Glidden in mining operations since the time of Glidden's arrival in the Pacific Northwest, were the only members of the original board of directors in the office at the time of the sale of the Old National Bank. At this time, and probably throughout the institution's history, these men owned a majority of the shares of the stock of the bank. W. D. Vincent, who, as a bookkeeper, had assisted in organizing the bank and who had become cashier in 1895, had been a member of the board of directors since 1899. *Spokane Review*, Jan. 7, 1893 and Jan. 10, 1894; *Spokesman-Review*, Sept. 29, 1898; Jan. 5, 1900; Oct. 8 and 10, 1902; and March 2, 1935.

³¹ According to J. W. Bradley, an employee and/or official of the Old National Bank from 1903 to 1933, W. D. Vincent, at this time cashier of the bank, originally suggested the purchase of the Old National Bank to James C. Twohy. On one occasion when he was making some transaction at the bank, Twohy asked Vincent about a good investment for some funds. In response to this query, Vincent said that the purchase of the Old National Bank would be such an investment. Interview with J. W. Bradley on June 16, 1949.

stock. Although Twohy and his associates reached an agreement to purchase the controlling interest in the bank in September, they did not announce completion of the transaction until October, as Glidden apparently insisted upon the rigid and literal fulfillment of certain technical requirements which would completely absolve him as a stockholder from any liability to the bank's depositors.¹

By the time when James C. Twohy, who negotiated the deal for the Old National Bank, and his associates were ready to complete the transaction and assume the management of the institution early in November, they had secured all but three hundred shares of its stock. W. D. Vincent, whom they were retaining as cashier of the bank, owned most of those.² Their purpose in obtaining the additional stock was to place it "in the hands of Spokane men and such others as have heavy interests in this locality." They believed that the "different interests" which they had associated with them in the enterprise would make it the "strongest banking institution financially in the Pacific Northwest."³

¹ Article 12, section 11, of the state's constitution provides: "Each stockholder of any banking or insurance corporation or joint stock association shall be individually and personally liable equally and ratably, and not one for another, for all contracts, debts, and engagements of such corporation or association accruing while they remain such stockholders, to the extent of the amount of their stock therein at the par value thereof, in addition to the amount invested in such shares."

² Vincent, who had assisted in organizing the Old National Bank, had served successively as bookkeeper, assistant cashier, and cashier, a very responsible position, which he had filled "with credit to himself and to the institution." *Spokesman-Review*, Sept. 29, 1898, and March 2, 1935.

³ The complete list of the purchasers of this stock was as follows:

D. W. Twohy, president of the Old National Bank.

Peter Larson, vice-president of the Old National Bank and railway contractor, Helena, Montana.

W. D. Vincent, cashier of the Old National Bank.

J. D. Farrell, president of the Pacific Coast Company, Seattle.

Thomas F. Wren, member of the firm of Wren and Greenough, railway contractors, Spokane.

James C. Twohy, senior member of Twohy Brothers, railway contractors, Spokane.

Frederick Weyerhaeuser, "lumber king," St. Paul, Minnesota.

Thomas L. Greenough, railway contractor, Missoula, Montana.

Louis W. Hill, vice-president, Great Northern, St. Paul, Minnesota.

Henry Turrish, president of Wisconsin Log and Lumber Company, which had large holdings of timber in Idaho, West Superior, Wisconsin.

William Winters, senior member of Winters, Parsons, and Boomer, railway contractors, Spokane.

"What 25 Years Have Brought," published in 1927, on the twenty-fifth anniversary of the reorganization of the Old National Bank under D. W. Twohy, 1902; *Spokesman-Review*, Oct. 10 and Nov. 4, 1902.

Thus, though James C. and D. W. Twohy "owned a large block of the Old National stock," the reorganization of the bank was by no means a "family affair."

As a matter of course, the new owners of the bank selected a new board of directors. It consisted of Peter Larson, James C. Twohy, W. D. Vincent, J. D. Farrell, T. F. Wren, and D. W. Twohy. The directors elected D. W. Twohy president, Peter Larson vice-president, and W. D. Vincent cashier. Twohy brought some of his colleagues who had worked in the bank of which he had been president in Wisconsin to serve as the nucleus of the staff of employees at the Old National Bank. Probably the most important of these was W. J. Kommers, who managed the trust business, handled advertising, and had charge of the physical operation of the bank.⁴

The new owners and officials of the Old National Bank regarded their purchase of its stock as a "gilt edge" investment in "a legitimate business proposition" and not as a speculative venture. They proposed to conduct its financial affairs on "the same high business plane" that had characterized Glidden's management.⁵ According to D. W. Twohy, president, the policy of the new management would be conservative, but "every assistance consistent with good banking will [would] be afforded local merchants and business men of Spokane and eastern Washington in the safe expansion of their business." Perhaps the new owners of the bank were planning to bring about "the rebirth of this pioneer financial institution."⁶ At any rate, under this change in ownership and management, its policies, which became "a little more aggressive and a little more optimistic and more willing to help the community grow," were destined to show "good results."⁷

⁴ *Spokesman-Review*, Oct. 10, 1902, and April 24, 1949.

⁵ The financial growth of the Old National Bank as measured by deposits was steady throughout the period with the exception of a space of two years during the period of the panic of 1893. Its deposits, which stood at \$105,839 on March 1, 1892, a little over two months after the bank had begun operations, had shrunk to \$82,081 by March 6, 1893. Approximately a year later, however, they had more than doubled and amounted to \$186,919. By Feb. 4, 1899, they were \$773,897, having more than quadrupled in a period of four years. On Sept. 15, 1902, the date of the last published statement of the Old National Bank before its sale by Glidden and his associates, its deposits were \$988,335. *Spokesman-Review*, Oct. 10, 1902; see above, pp. 79-80 and 84-85.

⁶ *Spokesman-Review*, Oct. 10, Nov. 4, and Dec. 28, 1902; see above, n. 3 in §III.

⁷ Letter from A. E. Reid, Executive Vice-President, the Old National Bank of Spokane, to Claude A. Campbell, Feb. 18, 1948.

At the time of its purchase by the Twohys and their associates, the Old National Bank was one of the small banks among Spokane's total of seven banking concerns. Its deposits were less than \$1,000,000. It had a board of seven directors, three officers, and a staff of fifteen employees.⁸

Even before the public announcement of the sale of the Old National Bank to the Twohys and their associates, the bank's business had increased markedly. According to its statement at the close of business on October 8, 1902, upon the basis of which the "deal for control of the bank stock was consummated," the bank had deposits of \$1,104,623. This was an increase of over \$100,000 in deposits within a period of thirty days. The growth of the concern's business between September 1 and November 4, when the new officials assumed control, was "phenomenal," deposits alone having increased "a little over a quarter of a million dollars."

After the new management assumed control of the bank, business continued to grow rapidly. The "Report of the Condition of the Old National Bank . . . at the close of business November 25, 1902," showed that it had total resources of \$1,696,042. It had deposits of \$1,320,405. Its capital stock remained at \$200,000. Loans and discounts, which constitute a significant index to a bank's participation in the economic activity of a community, amounted to \$785,048.⁹

The new officials of the Old National Bank lost no time in making changes designed to broaden the scope of its activities and to increase its business. On December 28, 1902, they announced that they were opening a savings department on January 1, 1903. They would issue savings books and certificates of deposit bearing interest at the rate of 3 per cent per annum with the principal payable on demand. Deposits of \$1.00 and upwards were acceptable, with depositors of small and large amounts receiving equally careful attention. For the convenience of clients who could not call at the bank during regular banking hours, they arranged for the savings department to be open from six to eight o'clock on Saturday evenings. They rearranged the banking room so as to provide a special window and department for women. This was designed to add materially to their comfort and convenience and undoubtedly to obtain increased patronage from them.

⁸ "What 25 Years Have Brought," cited above, n. 3 and n. 6 in §III.

⁹ *Spokesman-Review*, Oct. 10, Nov. 4, and Nov. 27, 1902.

The new officers and directors reminded the public that the Old National Bank, which was under the supervision of the government of the United States, had a "cash capital of \$200,000." This, together with its "conservative management" and the "large individual means of its owners," they said, "should guarantee the safety of funds which depositors might entrust to its care."¹⁰

Near the close of 1902, in the latter part of which the highly significant change in ownership and management of the Old National Bank had occurred, it became clear that that year had been one of the most prosperous in Spokane's history. According to an editorial in the *Spokesman-Review* of January 2, 1903, the city had had "12 months of uninterrupted progress and substantial improvement." Population had increased. There had been much building. The total volume of business had never been larger, as manufacturers, wholesalers, and retailers had all prospered. The "splendid showings" of the banks,¹¹ whose clearings had increased month by month and culminated in a record that surpassed those of all previous years, reflected not only this urban prosperity, but also the "unprecedentedly good time" of the country surrounding Spokane. The farmers, who had harvested good crops which they had sold at good prices, had "probably never been in better financial condition." Perhaps with the spirit of exaggeration considered typical of "boasters," the writer of a featured article in a special section of a special edition of the *Spokesman-Review* of January 1, 1903, estimated the total value of the Inland Empire's agricultural products, including "home consumption," as at least \$85,000,000. He estimated the timber cut from its "great forests" at \$20,000,000 and the ores shipped from the "great silver, gold, copper, lead and other mineral districts" at \$21,000,000.

Not only because of the prosperity of the banner year of 1902 but also on the basis of the rapid development of the Inland Empire, with "General Headquarters" at Spokane, "Men Prominently Identified with Its Birth and Development" gave New Year's greetings on January 1, 1903, "To Our Neighbors and Friends, to Strangers Within Our Gates, and to Hunters of Wealth

¹⁰ *Ibid.*, Dec. 28, 1902.

¹¹ Spokane's bank clearances for 1902, which amounted to \$88,469,202, showed a gain of about 54 per cent for the year. *Spokesman-Review*, Dec. 31, 1905. Its bank deposits, which were \$9,056,059, revealed an increase of about 50 per cent. "1927 Annual Statistical Report of the Spokane Chamber of Commerce," p. 5.

and Health Everywhere" and told the "true story of the building of a wonder city in Indian land—all within the compass of a generation." This item, which constituted a large inset on the first page of Part 2 of a special edition of the *Spokesman-Review* of January 1, 1903, was in effect an urgent invitation to others to come and participate in the development of the region.

Among the thirty-nine signers of these greetings were the presidents of all the Spokane national banks, one of whom was D. W. Twohy of the Old National Bank.¹² Two of these bankers—E. J. Dyer, who had served as the first cashier of the Exchange National Bank, a position which he occupied during the panic of 1893, and D. W. Twohy—also published special articles on the banking in the area in this same edition of the *Spokesman-Review*.

In his sketch of the "Growth of Banking," Dyer said that banking conditions in the Inland Empire were vastly more favorable than they had ever been before and emphasized the contrast between conditions in 1893 and in 1903. Within the short period since the panic of 1893, Spokane itself had become "a money center" and the surrounding country banks were also well supplied with funds. Banks of the Inland Empire had even more funds than were needed for local use and were lending money abroad.¹³

¹² Four more of the signers subsequently served as directors of the Old National Bank and another, a president of one of the city's other national banks, became a member of the first board of directors of the Union Trust Company, which was created by the Old National Bank. It seems that the new owners and managers of the Old National Bank and prominent business men who later identified themselves with the institution did not lack either confidence in or enthusiasm over the potentialities of Spokane and the Inland Empire.

¹³ There is evidence that Dyer's claims concerning the abundance of funds in the Inland Empire were somewhat exaggerated. For example, a new bank, the Washington Trust Company, incorporated in the preceding October, was beginning operations on January 1, 1903. Moreover, on April 1, 1903, the Bank of Montreal, Canada's largest bank and one of the biggest in the world, opened a branch bank in Spokane. The Canadian Pacific Railway, in which the Bank of Montreal was "heavily interested," apparently supplied the chief impetus for this development, because it wished to have adequate financial facilities in Spokane to handle the construction of a branch line into the city. In announcing the opening of the branch bank, T. J. Finucane, "Manager Pro Tem," said that the institution would conduct a general banking business and that, because of the large capital at its disposal, it would be able especially to finance "large enterprises" which its officials hoped would come to prove a factor in the prosperity and progress of this community. Although there may have been exceptions, Spokane bankers were not "exactly cordial in welcoming the new competitor." *Spokesman-Review*, Jan. 1, Feb. 3 and 21, and March 29, 1903.

He went on to point out that there was more money in bank stock than ever before and that virtually all stockholders were receiving "handsome dividends" despite "a great fall" in interest rates, which were now "6 to 12 per cent, according to security." Dyer felt that the principal reasons for the "high standing" of the banks were: first, the return of agricultural lands to their "actual and just values," mainly as a result of "good farming, good crops and good prices"; second, the new impetus given to the development of the mining industry by the successful operation and sale of a few big properties; third, the purchase of great tracts of timber and the erection of mills and factories to utilize the lumber. Of importance also was the large increase in immigration and the big investments of outside capital in the area, particularly during the preceding six years. In the opinion of Dyer, the banks, which had aided substantially in the agricultural and industrial development of the area by furnishing both "moral and financial" assistance to "all legitimate industrial and commercial undertakings," were presently enjoying prosperity that was in some degree the result of their own "conservative work."

D. W. Twohy of the Old National Bank, a newcomer to Spokane's banking circles, in his article entitled "Spokane Banks," stressed the advantages of Spokane, the only city of its class between St. Paul and Seattle, as a reserve center for country banks. He noted that Spokane, recognized as a wealthy and prosperous community, had aggregate bank deposits which were large in comparison with its population. He called attention, however, to the fact that very little of this wealth belonged to the "country banks which do business in the towns naturally tributary to Spokane." An investigation showed that a large number of the country banks which were "directly tributary" to Spokane were keeping their principal balances in either eastern or coastal cities.

Using New York, Chicago, St. Paul and Minneapolis, San Francisco, Portland, and Seattle and Tacoma as illustrations, Twohy emphasized the fact that cities attained financial prominence not only because of the business activity within their own borders but also because of the fact that they became reserve centers for surplus money in their general trade areas. He stressed the fact, therefore, that it was to the advantage of both the bankers in Spokane and those in the country towns to establish closer business relations. If the country bankers would make

Spokane's banks the chief depositories for their surplus funds, he said that in a high percentage of their transactions they would find drafts sold on Spokane more convenient for the purchasers than those on Seattle or Chicago. When country banks needed currency, they could draw it much more quickly and cheaply from Spokane than they could from distant cities. Their items in transit would be on the road less time, so that their interest accounts would be decreased. Spokane's banks, because of their intimate knowledge of local resources, methods, and conditions, could more readily supply the additional funds needed by the country banks at the time for moving crops and for other special purposes than could those of outside cities. He continued that the bankers of Spokane should extend to the country bankers "every convenience and facility" available in a large city and that they should give them "prompt, careful and efficient service." Such a course should result in "more profit and greater convenience for the country bank and add materially to the importance of Spokane as a financial center."

Apparently the leading bankers of Spokane and the Inland Empire not only were aware of the "greatness and glory" of the United States at the dawn of a new century and of the substantial contribution which their section had made to it but were also eager to participate in the still greater development which they felt was in store for their nation, state, and local area. They were particularly eager to aid in developing the potentialities of the Inland Empire. Since the financial skies were clear,¹⁴ they were in position to furnish the financial leadership which did much to shape the economic future of Spokane and the Inland Empire.

There was significant financial and economic development in Spokane and the Inland Empire in 1903. The statements of the Spokane national banks in response to the Comptroller's first call showed them to be in excellent condition, having made material gains in deposits and in loans and discounts since their last report to the Comptroller on November 11, 1902.¹⁵ Two of the four national banks began issuing interest-bearing certificates of deposit. One of them, the Old National Bank, which had also established a savings department, paid 3 per cent interest on savings deposits

¹⁴ Durham, *op. cit.*, I, 517.

¹⁵ The Old National Bank, the smallest of the national institutions, stood fourth in deposits and third in loans and discounts. *Spokesman-Review*, Feb. 10, 1903.

and permitted their withdrawal on demand. One private bank paid 4 per cent on savings and also allowed 2 per cent interest on general deposits, although none of the national banks followed this policy. The payment of interest on time deposits and savings was intended as a bid for business. It was addressed especially to wage earners and to individuals who, though not active in business, had steady balances.¹⁶

Two new banks, the Washington Trust Company and a branch of the Bank of Montreal, began operations in Spokane early in 1903.¹⁷ Perhaps more significant than the opening of these institutions was the fact that two of the oldest national banks in the city, the Traders National Bank and the Old National Bank, effected changes in their organizations which brought new personnel and capital from southeastern Washington into Spokane,¹⁸ thereby doing much to bring about the incorporation of probably the richest agricultural area in the state into Spokane's general trade area.¹⁹

Though the reorganization at the Traders National Bank, which involved both changes in the active management and in the directorate, was more extensive than that at the Old National Bank, it was hardly more significant. When the Twohys and their associates were negotiating for the purchase of the Old National Bank in the preceding fall, they had indicated a desire to place some of the Old National Bank's stock in the hands of an individual or of individuals in the surrounding area who would closely identify the bank with local business interests. Therefore they had purposely left a vacancy on the board of directors at the time, as they had not reached an agreement with any local financier on the completion of their purchase of the Old National Bank. Now, in Senator Levi Ankeny of Walla Walla, who bought a "substantial" but unspecified amount of stock in the Old National Bank at an undisclosed price,²⁰ they had found the one whom they

¹⁶ *Ibid.*, Jan. 1, Feb. 5 and 21, 1903.

¹⁷ *Ibid.*, Jan. 1 and March 29, 1903.

¹⁸ *Ibid.*, Feb. 8 and 24, 1903.

¹⁹ Probably these changes largely accounted for the fact that Spokane's banks in 1903 for the first time drew from Portland a big share of the loans on wheat harvested in the Inland Empire. Durham, *op. cit.*, I, 517.

²⁰ All the stockholders of the Old National Bank sold portions of their holdings to make up the "considerable total" of the stock which Ankeny bought. They did this not because they wished to dispose of their stock but because they desired to bring Ankeny into the corporation.

considered the proper man for the place. With the addition of Senator Ankeny to its directors, the Old National Bank had its full quota of seven directors.²¹

The addition of Senator Ankeny to the Old National Bank's board of directors marked a notable step in bringing about closer business relations between the Spokane banks on the one hand and some of the country banks of a part of the surrounding area on the other. This was carrying into effect a policy which President Twohy of the Old National Bank had recently emphasized as being necessary to establish Spokane as a financial center.²² Senator Ankeny was a veteran Washington banker, having been in the banking business in the state for forty years. He was currently president of the First National Bank of Walla Walla, which he had established in 1878, the First National Bank at Colfax, the First National Bank at Pullman, the Columbia National Bank at Dayton, the Vancouver National Bank at Vancouver, the First National Bank at Baker City, Oregon, and the First National Bank at Pendelton, Oregon. Besides, he had "important interests" in other banks. In fact, he reportedly controlled and was interested in more banks than any other man in the state.²³ His purchase of stock in the Old National Bank, however, marked his entrance into Spokane's financial circles. The fact that he had for the first time become directly interested in a financial house in Spokane seemed to some to be proof that Spokane's "future outlook" offered "special inducements for capital." It was clearly not inappropriate, therefore, that President Twohy should have celebrated Senator Ankeny's advent into Spokane's banking circles by tendering him an informal luncheon at the Spokane Club to afford other bankers of the city an opportunity to meet him.²⁴

Inasmuch as the change in the ownership and management of the Old National Bank of Spokane occurred in the early part of a period of rapidly increasing and continuing prosperity in a new section with an expanding economy, it was not unreasonable to expect that the growth of the institution would be both steady

²¹ The Old National Bank was now very well justified in advertising that its directorate was a "thoroughly representative one" with every member "a recognized leader of the branch of industry to which his energies are devoted." *Spokesman-Review*, Feb. 25, 1903.

²² Above, pp. 91-92.

²³ *Spokesman-Review*, Feb. 8, 1903.

²⁴ *Ibid.*, Feb. 24, 1903.

and rapid. Such indeed proved to be the situation under the administration of its efficient, aggressive, and imaginative corps of officials.

For example, in addition to changes already inaugurated, the Old National Bank announced the opening of a new safety deposit vault on April 1. This new vault, which was constructed of excellent material and had all available modern improvements, was as nearly burglar and fire proof as it could be made. It had boxes of all sizes for rent at "reasonable rates."²⁵

The Old National Bank, in competition with other aggressive banks in the city, inaugurated an effective program of advertising well designed to increase its business. It emphasized the fact that, though it followed the policy of adopting "every desirable method of modern banking," it never lost sight of that "essential quality—absolute safety." It aimed to "conduct its business along the lines of the modern banking institution, affording every facility and courtesy to its customers, making short-time loans in moderate amounts to the best people for legitimate business purposes, and maintaining an adequate reserve for the protection of its depositors."²⁶

The year 1903 proved to be a very profitable one for Spokane's banks, which paid dividends of 14 per cent on a million-dollar capital for the year. The Old National Bank, which had not paid dividends for several years, resumed the policy in 1903 with the payment of a 5 per cent dividend.²⁷ During the year, the total resources of the Old National Bank had increased by more than a million dollars and amounted to \$2,775,151. Its deposits, which had nearly doubled, were \$2,465,146. Loans and discounts totaled \$1,807,332, which was more than twice what they had been slightly more than a year earlier.²⁸

The prosperity of the Old National Bank, like that of Spokane and the Inland Empire, continued during 1904. At the close of the year, the Old National was one of the three national banks in

²⁵ *Ibid.*, March 29, 1903.

²⁶ *Ibid.*, Feb. 3, Nov. 29, and Dec. 13, 1903.

²⁷ According to the *Spokesman-Review*, it was going to decide at a meeting later in the month (December) to adopt the plan of paying dividends of 10 per cent per annum.

²⁸ *Ibid.*, Jan. 3, 1904.

Spokane which declared a semiannual dividend of 10 per cent.²⁹

At the close of 1905, the *Spokesman-Review* commented at length on the "Wonderful Record of Spokane's Growth" during the preceding ten years. Terming bank clearances an accurate guide to the "enormous business" done annually in this area, it pointed out that clearances for the year, which were \$164,099,042, exceeded those for the previous year by more than 32 per cent, surpassed those of 1903 by about 47 per cent, and were approximately 717 per cent greater than those of 1895. Total deposits, which had increased by \$12,750,000 since 1895, by \$7,000,000 since 1903, and by \$2,500,000 during the preceding year, and currently amounted to slightly more than \$14,000,000, likewise served as an index of the increasingly high level of business activity in the district. These deposits, "almost universally" derived from local regions and owned by local residents,³⁰ amounted to \$187 per capita for Spokane's population, a sum which was much above the average for other cities of similar size in other parts of the country.³¹

The Old National Bank was participating in an ever-increasing measure in the growth of Spokane and the Inland Empire. Clearings for the Old National Bank, which were the largest of any bank in Spokane, alone amounted to \$44,728,009, or about 27 per cent of the total clearings for the banks of the city. It also had the largest deposits, \$4,062,347, of any of the city's banks. It ranked second among them in loans and discounts, with \$2,317,674. In their advertising, officials of the Old National Bank emphasized that because of "its favorable banking connections in all important money centers of the United States, and its extensive list of country correspondents throughout the Inland Empire," its facilities were unsurpassed.³²

One result of the "splendid prosperity in all lines of business throughout the state" during 1906 and 1907 was an unparalleled

²⁹ *Ibid.*, Jan. 11, 1905. During the year, a new bank, The Farmers and Merchants Bank of Spokane, had opened. *Tenth Annual Report of The State Examiner of the State of Washington, 1916* (Olympia: F. M. Lamborn, Public Printer, 1917), pp. 20-37.

³⁰ This, according to the *Spokesman-Review*, was in contrast to other points on the Pacific coast, particularly in California, where people from the East had substantial holdings.

³¹ *Spokesman-Review*, Dec. 31, 1905.

³² *Ibid.*

increase in the number of banking institutions.³³ The Old National Bank, which, under the dynamic leadership of President D. W. Twohy, had already risen from a position of relative obscurity among the small banks of Spokane to the place where it was the city's largest bank, made notable advancement during this period.

The first two reports of the Old National Bank to the Comptroller of the Currency in 1906, made on January 29 and April 6, respectively, showed that the bank was continuing to grow rapidly.³⁴ At a special meeting on April 20, stockholders voted unanimously to increase its capital stock from \$200,000 to \$500,000. Present shareholders agreed to subscribe all of the additional capital. Most of it went to them, but there was an agreement to allot a portion to "friendly interests calculated to strengthen the bank." In increasing the Old National Bank's capitalization, officials adjusted the bank's surplus, which the report of April 6 to the Comptroller had shown to be \$115,967, so as to permit the issuance of new stock at a bonus and to give the bank a combined capital and surplus of \$600,000. The purpose in raising the capital of the Old National Bank was to make it possible for the institution to handle its growing business more efficiently and to afford additional security to its depositors by maintaining the proper proportion between its capital stock, reserves, and deposit liability.³⁵

Early in 1907, the stockholders of the Old National Bank again reelected the old officers. They also reelected the old directors and increased the total number of directors from seven to nine by the addition of two new ones. They were J. P. McGoldrick, president of the McGoldrick Lumber Company, and T. J. Humbird, general manager of the Humbird Lumber Company.³⁶ The outlook for the bank for the ensuing year appeared to be bright, for mines were productive, commerce was increasing, new industries were springing up, and agricultural prospects were good.

³³ *First Annual Report of the State Examiner of the State of Washington, 1907* (Olympia, Wash.: C. W. Gorham, Public Printer, 1908), pp. 4-5. Five new banking institutions began operation in Spokane during 1906 and 1907. *Tenth Annual Report of the State Examiner . . .*, pp. 20-37.

³⁴ Its deposits had increased by more than \$2,350,000 between April 6, 1904, and April 6, 1906. *Spokesman-Review*, April 10, 1906.

³⁵ *Spokesman-Review*, Feb. 2, and April 10, 21, and 22, 1906.

³⁶ In addition to representing his own interests, Humbird served as proxy for the Weyerhaeuser Syndicate's holdings in the bank. *Ibid.*, Jan. 9 and 13, 1907.

The officials of the Old National Bank of Spokane were on the alert for better business techniques and methods. Early in 1907, the Old National Bank was the first bank in Spokane to change its system of bookkeeping from the procedure of having the depositor hand in the passbook every month for the bank to compile the monthly balance, to a new method, the "statement system," whereby the bank kept a duplicate record of each customer's account. Each of the duplicates was prepared separately from the original deposit slips and checks. A sheet known as the individual ledger sheet was kept as the permanent record of the bank; and its duplicate, called a "loose leaf sheet," was kept merely until the end of the month, when it was taken out to form a statement of the balance, being returned to the customer along with the checks received during the month. Thus the passbook came to be looked upon purely as a receipt for deposits and no statement of the amount of the balance was entered into it.

When the Old National Bank of Spokane first initiated the use of the "statement system," W. J. Kommers, assistant cashier, enthusiastically explained its many advantages. He stated that one of its most important features was that it afforded an absolute check on the ledger keepers against collusion or errors in accounts. Besides, it protected the depositors by giving a double guard and precluded the possibility of the bank's wrongfully refusing to pay a check for lack of funds. Furthermore, before returning a check unpaid, the paying teller always had to confirm the accuracy of the ledger by reference to the statement clerk's accounts.³⁷

Officials of the Old National Bank of Spokane took advantage of the generally prosperous conditions not only to expand the activities of their own institution but also to take the lead in creating a new trust company. In 1907, they set up the Union Trust Company, one of the first three such institutions organized in the state.³⁸ Its officers were: D. W. Twohy, president; W. J. C. Wakefield, vice-president; and Jas. C. Cunningham, secretary-treasurer. Directors were D. C. Corbin, Peter Larson, James Monaghan, John Finch, T. J. Humbird, Geo. S. Brooke, R. B. Paterson, Fred B. Grinnell, J. P. McGoldrick, Jay P. Graves,

³⁷ *Spokesman-Review*, Jan. 22, 1907.

³⁸ Jones, *loc. cit.*; *First Annual Report of the State Examiner . . .*, 1907, p. 71.

T. L. Greenough, D. D. McDonald, and E. J. Roberts. The officers and directors of the Union Trust Company had been successful businessmen of Spokane and the Inland Empire for more than "a score" of years and had been identified with many worthy enterprises which had benefited Spokane, having aided these materially. Therefore they were thoroughly in touch with the pulse of trade and finance and thus had the confidence and respect of the community.³⁹

The Union Trust Company, with offices on the lower floor of the Marble Bank Building, just under the quarters of the Old National Bank, opened on March 18, 1907, with a capital of \$200,000 and a surplus of \$20,000. Its "commodious quarters" were equipped in the most modern manner available and were used exclusively for the transaction of a trust and safe-deposit business. This institution had a trust department, a bond department, a safe-deposit department, a loan department, an insurance department, and an abstract department, and it was prepared to assist in the drawing of wills.

This institution was very closely affiliated with the Old National Bank of Spokane.. Apparently, D. W. Twohy, who was president of both the Old National Bank and the Union Trust Company, largely shaped the policies of the two institutions. Peter Larson, vice-president of the Old National Bank, and T. L. Greenough, also one of the original purchasers of stock when the Twohys and their associates bought the Old National Bank, were directors of the Union Trust Company. T. J. Humbird and J. P. McGoldrick, the two newly elected directors of the Old National Bank, were also directors of the Union Trust Company.

Before the onset of the panic of 1907, the Old National Bank had total resources of \$7,799,553. Loans, discounts, and overdrafts accounted for \$5,114,029 of this amount. United States bonds and other bonds, investments, and real estate amounted to \$875,751. Sums due from banks and other cash items totaled \$1,246,869. There was \$564,904 in cash. The bank's capital was \$500,000, and its surplus and profits amounted to \$155,644. Its circulation stood at \$300,000. Individual deposits equaled \$6,016,925.⁴⁰

³⁹ *Spokesman-Review*, March 17, 1907.

⁴⁰ *Annual Report of the Comptroller of the Currency, 1907* (Washington: Government Printing Office, 1907), pp. 808-09.

Although the panic of 1907 had less effect upon the banks in the state of Washington than in most other states,⁴¹ they felt its impact briefly. Banking officials in Spokane sharply curtailed their lending and "implored" depositors not to withdraw money. They made every effort to avoid depleting their funds by sending money east. The banks of Spokane issued \$1,400,000 of "wooden money" or script, of which only \$1,000,000 was in actual circulation. During this panic, D. W. Twohy, who was president of both the Old National Bank and the Union Trust Company, reportedly remained "cool and collected," and his "sane, practical attitude reassured others and had the effect of restoring public confidence."⁴²

The panic of 1907 was of short duration, and banks were soon overstocked with cash. People were paying all that they owed and were not assuming any indebtedness that they could avoid. By the middle of January, 1908, there was "as much a dearth of borrowers of the class the banks cared to lend to as there was a dearth of lenders three months ago." Borrowers could obtain money for commercial purposes as easily as before the "financial stringency" of the preceding fall and on the same terms and at the same rate of interest as had prevailed then. Banks were lending freely on mortgages in amounts as high as \$60,000. Because there was apparently no demand for money by any but established firms, it was not clear just how free big amounts for new enterprises were.⁴³

At the time of the first call of the Comptroller for 1908, statements showed that the reserves of the bank were big. They revealed, too, that loans had decreased, that cash had increased, and that in some instances deposits had gained since the Comptroller's call on December 3, 1907. Although the Old National Bank was one of those "caught 'off'" on deposits on February 14,⁴⁴ it led the banks of the city in deposits, with \$5,726,793. Inasmuch as it was also first in loans and discounts, with \$3,995,606, it was presumably taking a leading part in bringing about a resumption of business activity in the area.⁴⁵ By the end of 1908, deposits

⁴¹ *First Annual Report of the State Examiner . . .*, 1907, p. 4.

⁴² *Spokesman-Review*, Jan. 23, 1914, and Jan. 30, 1929.

⁴³ *Ibid.*, Jan. 17 and 26, 1908.

⁴⁴ These banks were in better condition a week later. The Old National had \$200,000 more in cash on Feb. 21 than it had had on Feb. 14.

⁴⁵ *Spokesman-Review*, Feb. 22, 1908.

in Spokane's banks were large, and loans and discounts were also big.⁴⁶ The Old National Bank led in both of these fields, with deposits of \$6,968,037 and loans and discounts of \$4,197,873. The Old National Bank, which was "serving more people than at any time in its history," declared that this fact was an indication that the community was appreciating "its policy of conservatism, its uniform courtesy and good service." It, of course, invited more business.⁴⁷

The bank clearings in Spokane for 1908 showed a decided gain over those for the preceding year. This was the only north-western city in which the bank clearings for 1908 exceeded those of 1907. The following figures show the clearings for 1907 and 1908 and the respective gains and losses:

	1907	1908	Change	Per Cent (gain or loss)
Portland	\$340,888,630	\$310,656,513	\$40,232,117	-11.4
Seattle	430,000,000	429,000,000	1,000,000	-0.25
Tacoma	246,090,189	238,113,071	7,977,118	-3.24
Spokane	301,419,017	307,591,482	6,172,365	+2.03 ⁴⁸

Thus Spokane's bank clearings in 1908 were ahead of those of 1907 by \$6,172,365, or 2.03 per cent. Seattle was a close second with a loss of only one-fourth of 1 per cent. Tacoma was in third place with a loss of 3.24 per cent. Portland, with bank clearings 11.4 per cent behind those of 1907, showed a much larger loss for 1908 than did the Washington state cities.

IV. LEADERSHIP OF THE OLD NATIONAL (1909-19).

According to the economic analysis of E. T. Coman, president of the Spokane Clearing House Association, 1909 gave promise of being the "banner year" in the Inland Empire. The mining industry was "halting somewhat" because of the agitation concerning the tariff, but, if there was no disturbance in the tariff, the mine

⁴⁶ During the year, one state bank failed and one new one, which had absorbed an existing savings bank, began operating. *Second Annual Report of the State Examiner . . . , 1908*, pp. 7 and 8. In addition, a group of Canadian and American financiers made tentative plans to incorporate a British-American banking concern in Spokane which would have a million-dollar capital and a system of branch banks. Their plans, however, did not materialize. *Spokesman-Review*, Jan. 19, 1908.

⁴⁷ *Ibid.*, Dec. 1 and 6, 1908, and Jan. 1, 1909.

⁴⁸ *Ibid.*, Jan. 5, 1909. All of the Northwest made a much better showing than "most of the East" in the increase of bank clearings in 1907 and 1908.

operators in the Spokane area, who were employing nearly full crews, would enjoy "favorable conditions" through 1909. After a lengthy period of stagnation, the lumbering industry was recovering rapidly. Generally the lumbermen, who were well supplied with orders, were maintaining logging crews in the woods even during the winter. The banks were already feeling the effect of receipts from shipments of lumber to the East. Finally, except in the areas where the yield on light soils had been low, the farming industry was prosperous, as the average price for all farm products was at the highest level in the section's history. Moreover, the existing conditions for crops were good.¹

On January 1, 1909, D. W. Twohy, in his capacity as president of both the Old National Bank and the Union Trust Company, announced that the boards of directors of these institutions were preparing to launch extensive programs of expansion. Such action involved changes in the directorates, greater capitalization, extension of operations, and provision for new quarters for both institutions. For the Union Trust Company, it also included entrance into a new field of activity: the savings and loan business.²

On January 12, 1909, many of the national banks and trust companies of Spokane held the annual meetings of their stockholders. Practically all of the important officials remained with the various institutions, but several changes were made in the membership of the boards of directors. There were two changes in the officials and only two changes in the directorate of the Old National Bank. J. D. Porter, a member of the firm of Porter Brothers and Welch, railroad contractors,³ became a director; and John Twohy replaced James C. Twohy, deceased, as a director.⁴

¹ *Spokesman-Review*, Jan. 1, 1909.

² Because the directors controlled more than a half of the shares of stock in both institutions, their decision was tantamount to final action by the stockholders. *Spokesman-Review*, Jan. 1, 1909.

³ *Spokesman-Review*, Jan. 13, 1909; see below, n. 31 in §IV.

⁴ During the first seven years of the history of the Old National Bank under its new owners, there had been only four changes in its directorate, the election of a seventh member in February, 1903, the addition of two more members in January, 1907, and the selection of one member, T. L. Greenough in 1908 to replace Peter Larson, deceased. There had been only two changes in its staff of officials, the addition of an assistant cashier, W. J. Kommers, in 1903 and a "second assistant cashier," J. A. Yeomans, in January, 1906. This continuity among those in charge of forming the policies and administering the affairs of the Old National Bank undoubtedly contributed greatly to its noteworthy growth. See above, n. 3 in §III; *Spokesman-Review*, Jan. 13, 1904, Jan. 11, 1905, Jan. 7, 1906, and Jan. 1, 1909.

On the same day—January 12, 1909—the stockholders of the Old National Bank of Spokane increased its capital stock from \$500,000 to \$1,000,000. Thus, it became one of the first two⁵ banks of Spokane to have a capitalization of \$1,000,000. This increased capital was made partly by subscription. Patrick Welch and Porter Brothers, of Porter Brothers and Welch, railroad contractors, made a large purchase of the newly created capital. J. D. Porter represented the new interest in the bank of the board of directors.⁶

When the stockholders of the Union Trust Company held their annual meeting on January 20, 1909, they voted to retain the same officers and to increase the number of directors from nine to fifteen. The new directors were: A. L. Flewelling, president of the Chicago, Milwaukee, and St. Paul timber interests in the Northwest; William Winters, Smith Company, railroad contractors; F. A. Blackwell, president of the Idaho and Washington Northern Railroad, president of the Panhandle Lumber Company, and chairman of the board of directors of the Spokane and Inland Railway; J. D. Porter of Porter Brothers, railroad contractors; D. M. Drumheller, vice-president of the Traders' National Bank; Patrick Welch of P. Welch and Company, railroad contractors.⁷

On the same day, the stockholders of the Union Trust Company increased the institution's capital stock from \$200,000 to \$500,000 and the surplus from \$20,000 to \$30,000. About one-third of the newly authorized stock went to the new stockholders and about two-thirds of it to the old stockholders.⁸

Feeling that there was room in Spokane for a savings bank which did not engage in commercial banking, the stockholders authorized the establishment of such a business by the Union Trust Company. Thus, this institution, whose business had already attained large proportions, became the Union Trust and Savings

⁵ The Exchange National Bank increased its capital stock to \$1,000,000 on the same day.

⁶ *Spokesman-Review*, Jan. 13, 1909.

⁷ J. D. Porter—like D. W. Twohy, T. L. Greenough, T. J. Humbird, and J. P. McGoldrick—thus became a director of both the Old National Bank and the Union Trust Company. *Spokesman-Review*, Jan. 21, 1909.

⁸ Some of the new stock was sold to A. Guthrie, of A. Guthrie and Company, railroad contractors; Caughren and Woldson, railroad contractors; and W. D. Greenough, of Greenough Brothers. *Spokesman-Review*, Jan. 21, 1909; Jones, *loc. cit.*

Bank of Spokane and was able not only to expand its trust functions and real estate loans but also to enter the savings bank business aggressively.⁹

At their annual meetings in 1909, the stockholders of both the Old National Bank and the Union Trust Company took steps to provide for adequate housing for their respective institutions. This meant the ratification of the Old National Bank's sale of the Marble Bank Building and the adjacent Crescent Store property at Riverside Avenue and Wall Street to the Union Trust Company for \$200,000, and the ratification of the Union Trust Company's sale of the Corbin property at the corner of Riverside Avenue and Stevens Street to the Old National Bank for \$300,000.¹⁰

These transactions during the early part of 1909 required the construction of another big skyscraper office building in Spokane. On April 8, the board of directors of the Old National Bank engaged the architectural firm of D. H. Burnham and Company of Chicago to construct the new fifteen-story bank building. The plans called for a steel frame filled with concrete and faced with terra cotta.¹¹ As soon as the Old National Bank could move into its new home, the Union Trust Company was to occupy the entire Marble Bank Building and the annex in the Crescent Store.¹²

The ambitious plans of President Twohy and the board of directors of the Old National Bank and the Union Trust Company, which were solidly grounded on Spokane's rapid and virtually continuous¹³ development of the preceding decade and a half, were thoroughly in keeping with the spirit of the times. By June 17, 1909, Spokane not only aspired to be but had actually become the banking center of the Inland Empire. It had become a reserve

⁹ *Spokesman-Review*, Jan. 1, 1909; *Third Annual Report of the State Examiner . . . , 1909*, p. 69; letter from A. E. Reid, executive vice-president of the Old National Bank of Spokane, to Claude A. Campbell, Feb. 18, 1948.

¹⁰ On the basis of the square foot, the relative prices paid for the Corbin property and the Old National Bank's property were about the same. *Spokesman-Review*, Jan. 13 and 21, 1909.

¹¹ Jones, *loc. cit.*

¹² *Spokesman-Review*, Jan. 1, 1909.

¹³ Although there had been a slight drop in bank clearings in 1900 and 1901, this loss was offset by their large increase in 1902 and subsequent years.

city¹⁴ and hence was able to attract bank deposits that had formerly been carried by eastern correspondents. Most bankers had learned that it was advantageous to carry the largest part of their reserve near home and that Spokane was the "most favorable point geographically" and was "sympathetically nearest to every bank in the Inland Empire."¹⁵

The Old National was now the outstanding Spokane bank,¹⁶ being still one of only two banks with a capitalization of \$1,000,000.¹⁷ Its deposits of \$7,694,090 were larger than those of any other bank in the city and accounted for approximately 29 per cent of the total deposits of the Spokane banks.¹⁸

Because Spokane had in fact become the financial center of the Inland Empire, it was natural that so alert and aggressive a group of officials as those in charge of the Old National Bank should think of extending its operations beyond the bounds of the city. The form which this expansion was to take, however, was not to be a matter of their free choice.

Until 1909, both group or chain and branch banking had been legal in the state of Washington. At its regular session in 1909, the legislature passed a measure amending the banking act of 1907, which had created the state banking department, and established a banking code. Among other things, this law specifically prohibited branch banking in the state.¹⁹

¹⁴ Washington was one of the few states having three reserve cities (Spokane, Seattle, and Tacoma). Spokane became a reserve city in 1908. *Annual Report of the Comptroller of the Currency, Second Session of the Sixtieth Congress of the United States* (Washington: Government Printing Office, 1908), p. 154.

¹⁵ *Spokesman-Review*, June 17, 1909. A special article on banking by W. D. Vincent in the twenty-fifth Anniversary edition of the *Spokesman-Review*.

¹⁶ According to Vincent's article, Spokane had four national banks, four state banks, and one foreign bank. At that time, there must have been at least eight private, savings, or trust banking institutions in addition, for they appear in the *Tenth Annual Report of the State Examiner . . . , 1916*, pp. 33 and 41, which contains a list of the institutions, together with the dates of their establishment, under the supervision of the examiner. This list does not include the Traders' National Bank and the Northwest Loan & Trust Company, which were absorbed by the Spokane and Eastern Trust Company in 1914.

¹⁷ Besides, it controlled the Union Trust Company, which then had a capital stock of half a million.

¹⁸ *Spokesman-Review*, June 17, 1909.

¹⁹ The State Examiner (of banks) had recommended this provision either on his own initiative or at the behest of certain operators of state banks. *Second Annual Report of the State Examiner . . . , Dec. 31, 1908*, pp. 4 and 5; *Session Laws of the State of Washington, 1909*, Chap. 195, Sec. 6 (Olympia: E. L. Boardman, Public Printer).

Therefore, inasmuch as the action of the legislature had precluded the development of branch banking, the authorities of the Bank turned to group banking. In the Union Securities Company of Spokane, "which created the Old National Group of Banks in its vicinity,"²⁰ they established the earliest of the important holding companies in the state²¹ in the fall of 1909. Its officers were: president, D. W. Twohy; vice-presidents, J. D. Bassett and J. K. McCornack; treasurer, T. J. Humbird.²² The following banks, strategically located throughout the Inland Empire, were controlled by the Union Securities Company:

<i>Location</i>	<i>Bank</i>
Connell, Washington	State Bank of Connell
Creston, Washington	Creston State Bank
Edwall, Washington	Bank of Edwall
Grandview, Washington	First National Bank
Granger, Washington	Union Bank of Granger
Harrington, Washington	Harrington State Bank
Lewiston, Idaho	Idaho Trust Company
Lewiston, Idaho	Lewiston National Bank
Medical Lake, Washington	First National Bank
Moscow, Idaho	First National Bank
Nez Perce, Idaho	Farmer's State Bank
Odessa, Washington	Security State Bank
Palouse, Washington	Security National Bank
Prosser, Washington	Prosser State Bank
Ritzville, Washington	First National Bank
Spangle, Washington	State Bank of Spangle
Spirit Lake, Idaho	Bank of Spirit Lake
Sprague, Washington	First National Bank
Sunnyside, Washington	First National Bank
Washtucna, Washington	First State Bank ²³

²⁰ Spencer and Pollard, *op. cit.*, p. 251.

²¹ *Ibid.*, p. 313.

²² "Other stockholders" were F. A. Blackwell, Peter Larson Estate, T. L. Greenough, Porter Bros. & Welch, J. D. Farrell, A. Guthrie & Co., Caughren & Woldson, William Winters, Twohy Bros., Jay P. Graves, F. B. Grinnell, W. J. C. Wakefield, Henry Turrish, J. P. McGoldrick, T. F. Wren, W. T. Clark, J. C. Cunningham. *Spokesman-Review*, Dec. 19, 1909. Only four of the officials and directors of the Union Securities Company—Bassett, McCornack, Turrish, and Clark—were apparently not officers or directors of the Old National Bank and/or the Union Trust Company. D. W. Twohy was president of all three organizations. See above, pp. 87, 94, 98.

²³ *Ibid.*, Sept. 1, 1929. This list is not quite complete if Twohy's statement in the *Spokesman-Review*, Dec. 19, 1909, that there were twenty-four banks in the Union Securities Company is entirely accurate. The number of banks controlled by the Union Securities Company during its existence, 1909-29, actually varied from time to time because of the purchase or sale of bank

This group of banks included both national and state institutions, fifteen of which were located in Washington and five in Idaho.

The actual conversion of the selected unit banks into members of the Old National's group required considerable time and careful attention to detail. For instance, although the deal for the Security National Bank of Palouse "had been practically completed for some time," the final transfer of a large block of stock did not occur until February 1, 1910, because "it was necessary to have a complete auditing before the final consummation." As expected, the bank's affairs were in order, and its assets were accepted at face value.²⁴

In an interview given at the time when the Union Securities Company secured the controlling interest in the Lewiston National Bank, President D. W. Twohy discussed the formation, aims, and operations of the organization at some length:

The Union Securities Company of Spokane was organized three months ago largely for the purpose of throwing additional safeguards around the investments of its stockholders who are interested in country banks in the Inland Empire. A number of people interested in this company are men of large affairs who did not have time themselves to give attention to the business of individual banks, and associated themselves together for the purpose of safeguarding their investments and furnishing banking capital where it could be employed profitably and where it would serve to develop the country.

A central office is maintained in Spokane where, under supervision of experienced bank men, a reporting system is put in effect, and supplemented by an auditing system, which puts the central office in close touch with the operations of all individual banks. The plan places the controlling interest of the individual banks in the Union Securities Company, and the balance of the stock is distributed among responsible people in the respective communities

stock as the principles of good business management apparently warranted. For example, a list compiled in 1922 contains the names of seven banks (Craigmont, Idaho; First National Bank, Mullan Idaho; Union State Bank, Wapato, Washington; First National Bank, Wenatchee, Washington; West Side National Bank, Yakima, Washington; and the Yakima National Bank, Yakima, Washington) which were not members of the Union Securities Company at the time of its dissolution upon the formation of the Old National Corporation in 1929. Letter from Howard H. Preston to Claude A. Campbell, May 8, 1951.

²⁴ This bank had a capital of \$60,000, and its value "as a whole" was \$100,000. The Union Securities Company purchased the stock at \$143.25 a share. *Spokesman-Review*, Feb. 1, 1910.

and the local manager also is expected to have an interest in the bank which he supervises.²⁵

The company has become interested in 24 banks in the Inland Empire and the results so far attained have been very satisfactory and tend to raise the standard of banking throughout the country districts.²⁶

Undoubtedly the Old National was not slow to exploit the advantages gained from the establishment of this group-banking concern in the Inland Empire. It afforded an excellent means of not only furthering the interests of the Old National Bank but also extending the influence of Spokane as the financial center of the Inland Empire, two purposes which D. W. Twohy had emphasized ever since his arrival in Spokane.

During 1909, a general and substantial growth in all types of business, industry, and agriculture set a new record in the development of Spokane and the Inland Empire. There was a big influx of population and capital into Spokane, several of the "big eastern insurance companies and others" having found it a "highly desirable field for investment." There were increases in postal receipts (which stood at almost \$500,000), building permits, jobbing, manufacturing, bank deposits (which amounted to \$31,000,000), and bank clearings²⁷ (which were \$206,504,834 and showed an increase of 34 per cent over those for 1908). There were sizable gains in income for the mining and lumbering industries. Returns from all types of agriculture showed marked growth—those for wheat, the most important crop, having very nearly doubled.²⁸

The annual statement which officials submitted at the annual meeting of the shareholders of the Old National Bank on January 11, 1910, showed the institution to be in a "remarkably prosperous condition." It had deposits of \$9,000,000, surplus and

²⁵ It is noteworthy that the vice-presidents of the Union Securities Company, J. D. Bassett and J. K. McCornack, were former presidents of four banks included in the Old National group—Bassett having been president of those at Connell, Odessa, and Prosser, and McCornack of the one at Palouse. Apparently the capitalists who had substantial investments in the country banks were desirous of having the advice of experienced country bankers in the supervision of these institutions. Bassett was also a shareholder of the Old National Bank. *Ibid.*, Jan. 16, and Feb. 1, 1910; *Fourth Annual Report of the State Examiner . . .*, 1910, pp. 24, 31, and 58.

²⁶ *Spokesman-Review*, Dec. 19, 1909.

²⁷ Since the preceding August, a new and supposedly more accurate method for figuring bank clearings had been in use. Under the former method, bank clearings for 1909 would have been double what they were. *Ibid.*, Jan. 1, 1910.

²⁸ *Ibid.*

profits of \$250,000, and cash of \$400,000.²⁹ The shareholders of the Old National Bank elected six new directors at this annual meeting. They were: M. A. Blackwell, president of the Idaho, Washington & Northern Railroad, Spirit Lake, Idaho; Jay P. Graves, president of the Spokane & Inland Railway Company, Spokane; August Paulsen, investor in mines, Spokane; W. J. C. Wakefield, lawyer, Spokane; and P. Welch, railroad contractor, Spokane. The board of directors subsequently re-elected the bank's old officers, one of whom was a recently appointed third assistant cashier, W. J. Smithson.³⁰

Although the addition of six new members increased the size of the board by $66\frac{2}{3}$ per cent, it did not make a proportionate change in the character of the bank's directorate. It did, however, broaden somewhat the economic base of the body, whose composition had not changed very materially during the years.³¹ Although one of the new directors was a railway contractor and two were

²⁹ *Evening Chronicle*, Spokane, Jan. 12, 1910.

³⁰ *Ibid.*; *Spokesman-Review*, Jan. 16 and Feb. 6, 1910. It seems probable that there was some connection between the election of such a large number of new members of the board of directors and the financial arrangements for the construction of the Old National Bank Building. When officials of the Old National Bank were completing the plans for erecting the building and for financing it, according to W. J. Kommers, an official of the Old National Bank for more than twenty-five years, the question of whether or not to secure a loan from an insurance company arose. Pat Welch, a railway contractor, who was then realizing large profits from his business and had already agreed to subscribe \$100,000 for the building, proposed that the group of stockholders themselves supply the funds and offered to increase his subscription to \$200,000 if the building were not mortgaged. By the time that those promoting the sale of stock in the projected building had called on eighteen of a list of thirty-five potential subscribers, all shares were fully subscribed, and it became necessary to set a limit of \$100,000 for each individual subscriber. "Predictions and Reminiscences," *Spokesman-Review*, April 24, 1949.

³¹ Three of the members of the original board of directors of the Old National Bank after its purchase by the Twohys and their associates were railway contractors, one was president of a railway, and two were bankers—that is, the president and cashier of the Old National Bank itself. Furthermore, of the five purchasers of the bank's stock in addition to the directors, two were railway contractors, one was vice-president of a railway, the Great Northern, and two were executives in lumber companies. See above, pp. 85 and 87.

The man who purchased a substantial interest in the Old National Bank and became the seventh member of its board of directors shortly after the new owners had acquired control of it was a financier and reputed to be president of more banks than anyone else in the area. His membership on the board not only widened the scope of the bank's influence in the Inland Empire, but also afforded a measure of representation to country bankers. Above, pp. 94 and 105.

When the stockholders increased the membership of the board of directors

railway presidents, one was a real estate dealer, one had large investments in mining, and one was a lawyer, who apparently served as counsel for the bank. The board of directors as presently constituted included three railway presidents, five railway contractors, two bank presidents and one cashier, presidents of two lumber companies, one real estate dealer, one man with extensive mining interests, and one lawyer.³²

As the year advanced, there were indications that the prosperity which had characterized 1909 would continue through 1910. The responses of Spokane's fifteen³³ banks to calls by the Comptroller and presumably by the state examiner showed that deposits had jumped "skyward." To the surprise of local financiers, who had expected them to be about as they had been at the time of the last call by the Comptroller and the state examiner on November 16, 1909, they amounted to \$32,851,977. This figure, which broke all previous records, revealed a gain of slightly over half a million dollars in a period of about two and one-half months. Loans and discounts were almost half a million dollars higher than they had been in November. Though cash on hand and in the banks was approximately one and three quarter million dollars more than it had been in November, surplus and undivided profits were somewhat more than half a million dollars less.

to nine in 1907, the two new members of the directorate represented the lumbering industry, a relatively new and rapidly developing industry in the area. This, of course, increased the number of economic interests with representation on the board. Above, p. 97.

The two directors that replaced two of the original members of the board of directors—both of whom had been railway contractors and who had died in 1908 and 1909, respectively—were themselves railway contractors. Moreover, the man who became the tenth member of the board of directors in 1909 was also a railway contractor. Above, p. 103.

³² The partial list of stockholders which appeared in an advertisement of the Old National Bank in the *Spokesman-Review* of Jan. 16, 1910, included twelve railway contractors, three railway presidents, one of whom was president of the Great Northern, one vice-president of a railway, one general manager of a railway, seven executives of lumber companies, four bank presidents, one vice-president of a bank, one cashier of a bank, one real estate dealer, one president of an investment company, one president of a laundry, one large investor in mines, and one lawyer.

³³ They were the Old National Bank, Traders' National Bank, Exchange National Bank, First National Bank, Hillyard, Fidelity National Bank, National Bank of Commerce, Spokane and Eastern Trust Company, Northwest Loan and Trust Company, Spokane State Bank, Union Trust Company, Washington Trust Company, Bank of Montreal, Scandinavian-American Bank, Hillyard State Bank, Hillyard, and the Union Savings Bank. Because the reports on business for 1909 in the *Spokesman-Review* of January 1, 1910, included figures for only thirteen banks, it seems probable that they did not include those for the two Hillyard banks.

The Old National Bank led all the banks in the city in deposits, cash on hand and in banks, loans and discounts, and surplus and undivided profits. Although its surplus and undivided profits (\$260,276) were somewhat less than one-fourth of the total for all of the banks of the city, it held more than one-fourth of the deposits (\$9,327,438), cash on hand and in banks (\$3,946,767), and loans and discounts (\$5,620,107). Apparently there was point to the Old National Bank's advertising that it followed the "principle of conservative banking along progressive lines," that it expected to grow "both in its ability and opportunity to serve," and that it invited the business to which it believed it had proved itself entitled.³⁴

During 1910, the building committee of the Old National Bank—that is, D. W. Twohy, T. J. Humbird, W. J. C. Wakefield, and W. J. Kommers, an assistant cashier of the bank, who was supervising the construction and managing the renting of space for offices—were proceeding rapidly with the erection of the Old National Bank Building. They let the contract for the building in January, and Kommers stated that it would be ready for occupancy by December 31. To the surprise of many, the structure, a large fifteen-story building, constructed at a cost of 32½ cents per cubic foot, was ready for use on that date.³⁵

On December 25, there appeared in the *Spokesman-Review* a large advertisement for the Old National Bank in the nature of a general invitation to the people of Spokane to attend an informal reception, given by the officers and directors of the institution, to "inspect its new banking rooms" from seven to ten o'clock on Saturday evening, December 31, 1910, at its new home in the Old National Bank Building at the corner of Riverside Avenue and Stevens Street. In addition, the Old National Bank sent invitations to its out-of-town correspondents and depositors. Many of those who had offices in the new building also issued invitations to friends and customers to inspect their new quarters on this occasion.

The formal opening of the Old National Bank Building, Spokane's largest and tallest building, which Kommers had planned

³⁴ Indeed, the financial outlook for the entire state was good, inasmuch as all banks were "healthy" and prospects were "bright for a good business year." *Spokesman-Review*, Jan. 18 and Feb. 3, 1910.

³⁵ Kommers, *loc. cit.*

and designed to be a brilliant affair, proved to be the "most auspicious event of its kind ever held in Spokane." Not only the quarters of the Old National Bank itself, in which the reception took place, but also the entire building³⁶ was open for inspection, the eight-hundred-odd tenants of the building holding "open house" in their respective offices. Many beautiful floral pieces from the officials of other banks in the city and from personal friends and acquaintances of the directors and officials of the Old National Bank were on display in the banking rooms. There were also numerous congratulatory telegrams and letters from friends and business associates in many sections of the country. The reception committee, consisting of the directors and officers of the bank, stood in the officers' quarters to the left of the door. An orchestra of thirty pieces behind a bower of palms rendered a program of classical and popular music. In the women's department, wives of the officers and directors and the women employed in the bank greeted the women who visited the bank. From the cages in the banking room, employees of the bank presented souvenirs to the guests—paper weights and leather purses to the men and pin trays to the women. Large throngs "admired the beautiful architecture of the building," observed the arrangement of the new counting rooms and their equipment, which "embraces many of the latest features adapted to the comfort and convenience of the patron, and necessary for the safe and expeditious conduct of the business of a modern, metropolitan banking institution," and "stamped their approval" on a building which was regarded as the "'pride of Spokane.'" ³⁷ According to figures of the bank's attendants in charge of the matter, slightly more than fifty thousand visited the "\$1,000,000 premier office structure of Spokane."³⁸

Thus, within considerably less than a decade, the Old National Bank, which had been one of Spokane's smallest banks in 1902, when the Twohys and their associates had purchased it, had grown so rapidly that its officials had found it necessary to move it from its home in what had been Spokane's most elaborate bank

³⁶ Except for the three top floors, which were not finished.

³⁷ Because of the large crowds, the officials of the bank considered it inadvisable to comply with the many requests to see the vault and banking fixtures. They arranged, however, for the bank to be open every night during the coming week with attendants on hand to show them to those interested.

³⁸ *Spokesman-Review*, Dec. 25 and 30, 1910, and Jan. 1, 1911.

building to new quarters in Spokane's most imposing office building, which they themselves had just erected. This symbolized and justified the vision of the group of men who, having gained considerable wealth from their operations in the Spokane area which they wished to use in further exploiting and developing the region's resources, had induced President D. W. Twohy, a trained banker and financier, to join them in purchasing and operating a bank of which he was to be the active president. It was likewise a well-deserved tribute to President Twohy's foresight, skill, energy, and ability, not only in promoting the growth of his own institution but also in playing the leading part in definitely establishing Spokane as the financial center of the Inland Empire.

In an advertisement occupying a full page of the New Year's edition of the *Spokesman-Review*, officials of the Old National Bank called attention to its steady growth from 1902, when it had had a capital of \$200,000 and deposits of \$960,000, to 1910, when its capital was \$1,000,000 and its deposits amounted to \$8,269,000. They pointed out that it was "truly" a "Spokane institution," as it numbered among its shareholders many who had been closely identified with the development of Spokane and the Inland Empire. Though the bank's management had followed a policy of "strict conservatism, confining its operations to the legitimate branches of modern banking," it had been quick to adopt new methods and measures making for increased usefulness and advancement and had perhaps set more precedents in the conduct of the bank's business than had the management of any similar institution in the West. "*Absolute* safety" had been and would continue to be the first consideration of those in control of the Old National Bank. Finally, the bank's officials stressed that the new home contained "equipment and facilities unsurpassed for convenience and completeness," said that they were prepared to offer the "highest type of banking service," and solicited new business.

In the same edition of the paper, the writer of an editorial entitled "Steady Growth of a Spokane Financial Institution" observed that both the Old National Bank and its new building were "Spokane institutions," inasmuch as it was men of Spokane who largely owned and controlled them. The presence of such a "large and stable" institution in the Inland Empire, he said, was cause for congratulation to the people of the community. Spokane

was fortunate in having several growing and powerful institutions of this kind, because they were of great importance to the future of the community.

Another editorial writer, who discussed "Spokane on Threshold of 1911," congratulated the city on its progress in 1910 and alluded to the "brilliant prospects" which seemed to exist for 1911. He emphasized the facts that the taking of the Federal census had shown Spokane to be a city of more than 104,000 and that the people of the city had adopted a new and presumably better form of municipal government, the commission system, in 1910. Both of these developments, he thought, would bring additional immigrants and money into the area.

Three of Spokane's prominent business men, one of whom was D. W. Twohy, likewise felt that 1911 would be a promising year for "wise investors and conscientious business men, tradesmen and artisans" in Spokane and the Inland Empire as the financial condition of Spokane was "healthier"³⁹ than ever before, business was on the upward trend, eastern investors were looking to the Pacific Northwest as a place for investing their funds, and the population of the area was increasing rapidly. Twohy, who took a "conservative but optimistic" view as to the financial future, pointed out that, though 1910 had been satisfactory from the standpoint of business and finance, business institutions had not had as great increase in activity as they had been accustomed to during the preceding several years and that there had been "some let-up in general improvements throughout the Inland Empire" during the past six months. He called attention especially to the fact that "based on present prices, the results from our farms have been \$8,000,000 less than the year of 1909" and that there was consequently less money in circulation and that farmers and the people generally were not feeling as rich as they had felt a year ago. If the people properly evaluated the situation, lived more economically, and conducted business more cautiously, however, he saw no reason why the coming year should not produce "satisfactory results." He noted, too, that it would be helpful if "some problems which are now disturbing the railroads and

³⁹ Reports revealed that Spokane's banks and trust companies, exclusive of the Bank of Montreal, had had net earnings of \$600,000 and had declared dividends of \$250,000 in 1910. The Old National Bank's annual dividend of 10 per cent, paid in quarterly installments, was \$100,000 for the year. *Spokesman-Review*, Jan. 11, 1911.

some of the principal lines of business are worked out satisfactorily so that new extensions which have been planned are put into operation." If, "more important than all," there were good crops in the Inland Empire, 1911 might be one of the best years.⁴⁰

Compared with the unusually rapid growth which the Old National Bank had experienced between the fall of 1902 and the winter of 1910, its growth in the period between 1910 and 1914 was continuous but not great.⁴¹ Its officials, however, in promoting the development of the area, did not flag in their efforts to supply the leadership which they apparently felt should come from those in control of the section's leading financial institution.

The year 1911 was one of comparative dullness in commerce and industry in Spokane and the Inland Empire. Despite this fact and the fact that 1911 was a year of "comparative industrial and commercial lassitude" in the nation generally, neither spirit nor energy were lacking among Spokane's business leaders in general and among those in charge of the Old National Bank in particular. For example, although there was for a while some doubt about continuing the National Apple Show, which had been incorporated in 1908, leaders decided not only to continue to have the show but also to have a carnival in connection with it. An "apple show banquet" served to start the drive for an enlarged fund of \$40,000 to finance the show and banquet. Those in attendance subscribed \$18,000 of this amount.⁴² President Twohy of the Old National Bank was a member of the committee which sponsored this affair, and W. D. Vincent, cashier of the Old National Bank, served on the financial committee of three to raise the needed sum.

During 1912, Spokane and the Inland Empire were "better off" in every material way than they had been in 1911. Nine local banks,⁴³ which had the best year in their history according to the

⁴⁰ *Spokesman-Review*, Jan. 1.

⁴¹ See Appendix B.

⁴² Durham, *op. cit.*, pp. 560, 606-07.

⁴³ The Traders' National Bank, Exchange National Bank, Old National Bank, Spokane and Eastern Trust Company, Union Trust and Savings Bank, Washington Trust Company, Fidelity National Bank, and Northwest Loan and Trust. The National Bank of Commerce had not declared its dividend. *Spokesman-Review*, Dec. 29, 1912. Since this list does not include the following institutions, they also had apparently not declared their dividends: Spokane State Bank, Scandinavian-American Bank, Union Park Bank, Washington Safe Deposit and Trust Company, Clark Bros. and Klein Trust Company, Farmers and Mechanics Bank, and Bank of Montreal.

"consensus of opinion amongst officials," not only distributed dividends of \$484,000 but also increased their surpluses. On the basis of their combined capital, these institutions paid an average annual dividend of 8.8 per cent. The Old National Bank's customary⁴⁴ dividend of 10 per cent, although higher than the average, was 2 per cent less than the dividends of the other two big banks, the Traders' National Bank and the Exchange National Bank, and 5 per cent less than the highest dividend, that of the Spokane and Eastern Trust Company.⁴⁵

There was a gain of only a little more than \$150,000 in the total assets of the Old National Bank. The increase in its loans and discounts amounted to slightly over \$500,000. The growth in deposits was somewhat in excess of \$200,000. The institution increased its surplus by only about \$1,200, although it paid its usual dividends.⁴⁶

Meanwhile, in its advertising near the close of 1912, the Old National Bank called attention to its policies relating to loans and discounts. To a great extent, its loans and discounts were "notes and discounted paper of the various business enterprises of the Inland Empire" and were based upon or secured by "collateral pledged with the bank; on merchandise on the shelves of merchants or on its way from producer or manufacturer to consumer; or raw material in the hands of manufacturer; or grain maturing in the field or stock being fed for market." The bank's security on these loans was, of course, the "depositor's protection." Besides the loans mentioned, there were also "small Diversified Loans" to "wage and salary earning depositors who have shown themselves worthy of credit by their constant industry and thrift in saving" and to "professional men whose accounts have paved the way to credit, by enabling the bank officials to learn their qualifications and business methods."⁴⁷

Business men were hopeful that the prosperous conditions

⁴⁴ It had been paying an annual dividend of 10 per cent since 1904. *Moody's Manual . . . , 1934*, p. 110.

⁴⁵ *Spokesman-Review*, Dec. 29, 1912. The Old National Bank Building, which had had a satisfactory business for the year with an occupancy of 94 per cent, paid a dividend of 6 per cent, \$90,000 on its capital of \$1,500,000. This corporation was very closely connected with the Old National Bank, as all of its officers and all but two of its trustees were officers and/or directors of that institution. *Spokesman-Review*, Jan. 9, 1913.

⁴⁶ See Appendix B; *Moody's Manual . . . , 1934*, p. 110.

⁴⁷ *Spokesman-Review*, Dec. 1 and 6, 1912.

which had been obtained in 1912 in Spokane and the Inland Empire would carry over into 1913. Their hopes were fulfilled to a degree at least since the officials of banks holding their annual meetings on January 13, 1914, reported that the business of their respective institutions had been satisfactory during the preceding year. Although bank clearings were about \$6,000,000 less than they had been in the preceding year, deposits were approximately that much greater than they had been for the same period.⁴⁸

The Old National Bank did a larger volume of business during 1913 than it had done during 1912. The gain in total assets for the year amounted to slightly over a million dollars. There was a growth of approximately half this amount in its deposits. The increase in its loans and discounts, which was a little less than \$90,000, was somewhat smaller than usual. The bank added a little more than \$100,000 to its surplus in 1913.⁴⁹

The first significant changes⁵⁰ in the management of the Old National Bank since 1910 occurred at the annual meetings of stockholders and directors in January, 1914. The stockholders elected W. J. Kommers, vice-president of the Union Trust Company and Savings Bank, to the board of directors, thereby increasing the membership of that body to seventeen. The directors elevated W. D. Vincent, who had served as cashier since 1895, to the position of vice-president and promoted J. A. Yeomans, who had been an assistant cashier since 1906,⁵¹ to the post of cashier. These promotions, which were in recognition of the long and efficient service which these men had rendered to the bank,⁵² were in accord with the policy of promoting members of the bank's own staff to higher positions which became vacant or to newly

⁴⁸ *Ibid.*, Jan. 14, 1914; "1927 Annual Statistical Report of the Spokane Chamber of Commerce," p. 5.

⁴⁹ See Appendix B.

⁵⁰ R. B. Porter, a railway contractor, had replaced T. L. Greenough, deceased, on the board of directors in 1911.

⁵¹ See above, n. 4 in §IV.

⁵² Vincent, who had aided in securing the charter of the Old National Bank and who had served it successively as bookkeeper, assistant cashier, and cashier, had assisted in the management of the institution almost since its beginning. In addition, he had served as manager of the Spokane Clearing House Association and as president of the Washington Bankers' Association and was presently a member of the executive council of the American Bankers' Association and of two of that organization's committees. *Spokesman-Review*, Jan. 14, 1914.

created posts which Twohy had established when he and his associates purchased the bank.⁵³ Two clerks, George H. Greenwood, acting auditor, and Joseph W. Bradley, manager of the collections department, were named assistant cashiers.⁵⁴

Meanwhile, even before the annual meetings of the national banks for 1914, there was much discussion and some activity in connection with the establishment of the Federal Reserve System in the Pacific Northwest. Financial papers on the coast were urging the cities of the area "to abandon their several fights to land the regional bank of the district" and suggesting that they combine to secure representation for the Pacific Northwest on the Federal Reserve Board. For this honor, W. D. Vincent, of the Old National Bank, was one of the two men prominently mentioned in the *Pacific Banker* by a writer who observed that both men were of the type "steadied by responsibility" and that either was "big enough for the job."⁵⁵ At the annual meeting of the stockholders of the Old National Bank in 1914, their action in passing a resolution to join the Federal Reserve System no doubt strengthened Vincent's position as a potential candidate for appointment to the post, although he had said, for publication at least, that he did not know that he would accept the honor even if President Wilson should offer it.⁵⁶

The writers of an editorial in the *Spokesman-Review* of January 11, 1914, entitled "Spokane the Most Convenient Central Point for Bank of Pacific Northwest" declared that the city's strategic advantage" as the location for the Federal Reserve Bank of the proposed district of the Pacific Northwest stood out "strong and clear from every point of view." As 631 of the 1010 banks in the proposed district were east of the Cascades, Spokane was "numerically" the most convenient location for the banks of Washington, Montana, Idaho, and Oregon. The banks, they insisted, should be considered first in their numerical relation to the central reserve bank and second in relation to their capital and surplus as the "fundamental purpose" of the banking and currency law was to afford quick aid to country banks in times

⁵³ Statement of W. J. Kommers, who was in charge of personnel at the Old National Bank from 1905 to 1929, in an interview on Dec. 30, 1949.

⁵⁴ *Spokesman-Review*, Jan. 14, 1914.

⁵⁵ Quoted in the *Spokesman-Review*, Jan. 7, 1914.

⁵⁶ *Spokesman-Review*, Jan. 7 and 14, 1914.

of a shortage of currency and to enable them to finance the movement of crops at certain seasons. A reserve bank at Spokane would not only be virtually at the "geographical, railroad and banking center" but would also be at the center of the agricultural, mining, and lumbering resources of the district.⁵⁷

Apparently the "organization committee" for the selection of the federal reserve city was not particularly impressed by the advantages offered by Spokane, inasmuch as it did not comply with the request of a local committee to stop for a conference in the city. The fact that President Rutter of the Spokane Clearing House Association called a special meeting of that body to consider what further action to take in the matter of arranging a future meeting is indicative of the importance that Spokane's bankers attached to the question.⁵⁸

Later in the month ninety-five representatives from ninety to ninety-three banks in group two (the northeast group) of the Washington Banker's Association were present at a special meeting in the assembly room of the Old National Bank to discuss the new Federal Reserve law. At the time, the law automatically applied to only twenty-five banks in the group, and it would be necessary for thirty-three of the others to increase their capital in order to become members of the system.

Vincent, vice-president of the Old National Bank, who "characterized the new law as 'the biggest piece of legislation ever enacted,'" said that the "question of note issue under the new system 'would revolutionize the banking business, centralizing the balances of the banks in each district, the federal reserve bank handling the notes at par.'" Because the best paper would be that on commodities produced in the district, he said that the Northwest would be better off "as the diversity is greater here than anywhere else." He stated that the "'note issue'" of the federal bank would be "'in case of emergency only, and then more as reserve than as actual currency.'" He illustrated his point by reminding his hearers that, though Spokane banks had issued \$1,400,000 of "'wooden money'" in the panic of 1907, only \$1,000,000 of which had actually circulated, their capital and surplus "would entitle them to \$3,500,000 in 'rubber money'" under the Federal Reserve System.

⁵⁷ *Ibid.*, Jan. 11, 1914.

⁵⁸ *Ibid.*, Jan. 14, 1914.

In response to a question on "‘rural credits,’" Vincent declared that when the farmer got his business "‘on a business basis,’" he would get the "‘same credits as the business man.’"

Vincent believed that the gold reserve of 35 per cent required against deposits would ultimately go into the vaults of the Federal Reserve Banks. The Federal Reserve Banks, he said, would regulate the charges on drafts and checks.⁵⁹

Early in 1914, the officers of the Old National Bank, who expressed the belief that a bank should do more for a community than merely furnish a safe place for the deposit of funds and the cashing of checks, announced that they had arranged for the compilation and distribution of "a condensed but comprehensive monthly Report on the Business Operations of the Country." These reports were available "without charge or obligation" to any business man requesting them "regardless of whether or not he was at the time a client of the Old National Bank."⁶⁰

During 1914, the banks of Spokane enjoyed a modest prosperity. Apparently, they did not feel any marked or sustained effect either from the slump in business which affected the nation as a whole or from the outbreak of World War I. There was a temporary decline of loans and discounts in the area during the middle part of the year. At the end of the year, deposits were higher than they had been the year before, even though many farmers were holding wheat for higher prices. There were few changes in officers and directors of any of the various banks at their annual meetings in January and none at all at the Old National Bank.⁶¹

In Spokane and the Inland Empire, as elsewhere throughout the state and nation, business was "ruled by the war" during 1915. The pace of economic activity in Spokane and the Inland Empire increased rapidly, particularly during the last quarter of the year. The three basic industries on which the prosperity of the region was "rock-bottomed"—agriculture, mining, and lumbering—were increasingly prosperous. First, crops in 1915, as in the preceding year, produced "surpassing yields" and, to a certain extent, because of the greatly expanded European demand, brought

⁵⁹ *Ibid.*, Jan. 23, 1914.

⁶⁰ *Ibid.*, Feb. 22, 1914.

⁶¹ *Ibid.*, Jan. 6 and 13, 1915.

"capital prices."⁶² Second, the mining industry experienced the most marked improvement in its history. Many new mines were opened or began to be prosperous, and old mines "continued or even enhanced their prestige as makers of millionaires." Third, even the lumbering industry was beginning to emerge from the "slough of depression and despondency." Practically all of the mills that had been closed for the preceding two or three years had resumed business, and nearly all had enlarged their plants.⁶³

Bank deposits, of course, reflected the markedly accelerated tempo of economic activity in the region. Deposits in the thirteen Spokane banks,⁶⁴ which showed a gain of more than four and one-half millions for the last quarter of the year, were more than three and one-half millions above the total at the end of the preceding year and were at the highest point in the history of the local banks. The largest of these institutions—the Old National Bank, the Spokane and Eastern Trust Company,⁶⁵ the Exchange National Bank, and the Fidelity National Bank—showed marked gains over the preceding year, that of the Old National Bank, which amounted to a little more than one and three-quarters of a million, being the largest. The greater portion of this increase apparently came from money from wheat, although farmers were still holding much of their grain for higher prices, and from the products of the mines. The scarcity of "automatically liquidating loans" accounted in part not only for the big increase in deposits but also for the small decrease in loans and discounts.⁶⁶

At their annual meeting on January 11, 1916, the shareholders of the Old National Bank made several changes in the personnel of the board of directors. They accepted the resignations of J. D.

⁶² The one exception to this, insofar as the Inland Empire was concerned, was the inadequate arrangement for the proper marketing and distribution of apples.

⁶³ *Spokesman-Review*, Jan. 1, 7, and 8, 1916; *Tenth Annual Report of the State Examiner* . . . , Dec. 31, 1915, p. 5.

⁶⁴ Spokane's newest bank was the Security State Bank, which was organized in March, 1915. *Spokesman-Review*, Jan. 12, 1916.

⁶⁵ The Spokane and Eastern Trust Company, which had absorbed not only the Northwest Loan and Trust Company on Jan. 4, 1914, but also the Traders' National Bank, one of Spokane's largest banks, on June 27, 1914, had become the second largest financial institution in Spokane. *Moody's Manual* . . . , 1929, p. 565.

⁶⁶ Loans and discounts for all of Spokane's banks were over \$400,000 less than they had been at the end of the preceding year. Those of the Old National Bank alone were slightly over half a million dollars less than they had been. *Spokesman-Review*, Jan. 7, 1916.

Farrell, F. A. Blackwell, and Fred B. Grinnel, whose other business interests necessitated their retirement from the board of directors of the Old National Bank in order to comply with the provisions of the Clayton Anti-Trust law dealing with interlocking directorates.⁶⁷ They reelected the other fourteen members of the board. They elected, as new directors, D. C. Corbin (president of the Spokane International Railway and the Corbin Coke and Coal Company) and Edmund Twohy (a member of the legal firm of Wakefield and Witherspoon and the representative of the estate of his father, the late James C. Twohy, who had been a director and large shareholder in the Old National Bank). The board of directors, which now consisted of sixteen members, reelected the old officers of the bank.⁶⁸

Because of the favorable economic developments generally during 1915 and especially because of the sustained and ever-increasing economic activity during the last quarter of the year, there was reason to expect that 1916 would be a year of "almost unprecedented prosperity" in the Inland Empire. W. D. Vincent, cashier of the Old National Bank, observed that the big deposits in Spokane's banks denoted "financial strength and a healthy prosperous condition of business." Though he attributed the big deposits to the "triple entente" of wheat, metals, and lumber, he pointed out that the prevailing favorable economic situation was undoubtedly due in great measure to the Federal Reserve System, which had given people confidence in the banks and led them to deposit their money in these institutions rather than in "teapots, old socks and holes in the ground." All that was needed, he concluded, was "some activity to put that great surplus wealth into profitable circulation."⁶⁹

During the year it became apparent that further adjustments concerning quarters for the Union Trust and Savings Company and the Old National Bank had again become necessary. At a special meeting on August 31, 1916, the directors of the Union Trust and Savings Bank and the Fidelity National Bank ratified the action whereby the Fidelity National Bank acquired the Marble Bank Building from the Union Trust and Savings

⁶⁷ *Statutes at Large of the United States . . . , 1913-1915* (Washington: Government Printing Office, 1915), Chap. 323, Sec. 8, p. 730 ff.

⁶⁸ *Spokesman-Review*, Jan. 13, 1916.

⁶⁹ *Ibid.*, Jan. 1 and 7, 1916.

Bank.⁷⁰ The Fidelity National Bank secured a "five-year lease, with an option to purchase for a price reported at \$230,000." The lease was "on the basis of 6 per cent per annum of the price stipulated in the option."

After January 1, 1917, the Union Trust and Savings Bank and the Old National Bank were to have joint offices which would occupy the entire first floor of the Old National Bank Building. This arrangement, which, of course, necessitated considerable alterations, gave the Old National and Union Trust and Savings Company "a floor space 100 feet by 142 feet, not including the basement," believed to be "the largest banking area in this part of the country." Bringing the two institutions together under one roof was advantageous from the standpoint of economy, and, according to D. W. Twohy, it created no managerial problem, inasmuch as the stockholders of the two concerns were "almost identical."

Twohy also pointed out that one of the "moving reasons" for the change was "to enable the two institutions to comply with the provisions of the Clayton Act, whereby a director of a national bank will also be authorized to act as a director of a trust company."⁷¹ The two concerns retained their identities as separate corporations with their respective sets of officers and directors. Their combined resources amounted to approximately \$25,000,000, those of the Old National being about \$16,000,000, and those of the Union Trust \$8,906,000.⁷²

At this time, business was flourishing in Spokane and the Inland Empire, as it was in the rest of the state, particularly in and around Seattle. Reports to the Comptroller of the Currency showed Spokane's bank deposits to be the highest in its history. The deposits of the Old National accounted for \$14,065,985 of the total of \$39,301,057. According to President Twohy of the Old National Bank and other Spokane bankers, the increased deposits resulted mainly from the sale of crops, much grain having

⁷⁰ The Union Trust and Savings Company had moved from the basement to the "upper floor" of the Marble Bank Building when the Old National Bank moved into the Old National Bank Building on Dec. 31, 1910. *Spokesman-Review*, Sept. 1, 1916.

⁷¹ *The Statutes at Large of the United States . . . , 1913-1915*, Chap. 323, Sec. 8, p. 733.

⁷² *Spokesman-Review*, Sept. 1, 1916.

been withheld from the market for two or three years, and ore. Both wholesale and retail sales were at a high level.⁷³

The Old National Bank, as usual, sought to obtain the largest possible share of the business. It recommended the use of its monthly "Trade Report," which was free, upon request, as a good source of information as to "basic business and industrial conditions." Both the Old National and the Union Trust apparently capitalized upon the agitation for woman's suffrage in the current presidential campaign by making their service attractive to women and by specifically inviting their business. The Old National advertised itself as a place "Where Big and Little Business Meets" and welcomed the account of "any responsible business man, regardless of his financial structure." On December 31, the Old National observed that 1916 had been an "epochal one in the history of the Old National," and that the success which it had enjoyed not only reflected the prosperity of Spokane and the Inland Empire but also stood out as "an unqualified indorsement of the principles of safety and practical conservatism adhered to in the management of this bank." It thanked its patrons and promised better service wherever possible in 1917.⁷⁴

Meanwhile, on December 28, 1916, D. W. Twohy, who was president of both the Old National and Union Trust and Savings Bank, felt it necessary to deny implications in the headlines of the preceding evening's *Chronicle* to the effect that the Old National would absorb the Union Trust. He said that the plans announced earlier had not been changed. The two institutions were to occupy joint quarters in the Old National Bank Building when the plans were completed, but the Union Trust would continue its "present sphere of activity." That arrangement, officials hoped, would enable them "to serve the public better, if possible, than heretofore."⁷⁵

During the latter part of 1916 and the early part of 1917, officials of the Old National Bank, as well as certain other bankers in Spokane, engaged actively in attempts to secure the location of a Federal Farm Loan Bank⁷⁶ and a Branch of the Federal

⁷³ *Ibid.*, Sept. 17, 1916; *Tenth Annual Report of the State Bank Examiner* . . . , p. 5.

⁷⁴ Thus it seems that Spokane and the Inland Empire were beginning to feel the full impetus of war prosperity by the later part of 1916. *Spokesman-Review*, Oct. 1, Nov. 8 and 19, and Dec. 31, 1916.

⁷⁵ *Spokesman-Review*.

⁷⁶ This institution was designed to provide long-term credit which existing banks had been unable or unwilling to furnish for farmers.

Reserve Bank of the Twelfth District in Spokane. The existence of these institutions would not only increase Spokane's prestige as the financial center of the Inland Empire but would also facilitate its growth in that role and thereby increase its independence from other financial centers.

When officials designated Spokane as the location for the Federal Farm Loan Bank, D. W. Twohy of the Old National observed that it was a "fine thing for the city in establishing Spokane as the financial center of the Northwest" and that Spokane was entitled to have the bank. He felt that the bank would mean much to both the city and the county if its officials were competent, if it were kept out of politics, and if it were "run along modern business lines." He felt that much depended upon the probable reaction of the farmers to the bank, particularly to its plan for amortizing loans. This feature was new to them, and they had apparently been accustomed to increasing the principal of a loan rather than amortizing it. Twohy felt that the presence of farmers on the farm-loan committee created a danger that farm land values would be inflated. This would, of course, greatly affect the value of the bank's bonds as investments, because their worth was determined by the appraisal of property on which loans were made. Twohy did not expect that the bank's advent would have much affect on existing interest rates on mortgages, which he believed to be low, that is, around 6 per cent.⁷⁷

The location of a Federal Farm Loan Bank in Spokane doubtless strengthened Spokane's claim for the establishment of a branch of the Federal Reserve Bank of the Twelfth District in its borders.⁷⁸ Nevertheless, Spokane bankers—particularly the Old National's president, D. W. Twohy, who was head of the delegation which went to San Francisco to secure the Branch, and the vice-president, W. D. Vincent, who was also president of the Spokane Clearing House Association—found it necessary to campaign aggressively for the branch.

Vincent emphasized that the "natural movement" of business in the Northwest was east and west and that Spokane was the "gateway from the east to all the other northwestern cities." As

⁷⁷ *Spokesman-Review*, Dec. 28, 1916.

⁷⁸ It seems that when some sentiment for transferring Washington from the San Francisco district to the Minneapolis district developed, the San Francisco district began actively to investigate the possibility of establishing branches in the area. *Ibid.*, Feb. 24, 1917.

president of the Clearing House Association, he promised that if a branch would be established in Spokane, all state banks in the city would themselves become members of the Federal Reserve System and would influence state banks in the surrounding area to do likewise. He said that the Clearing House would employ the branch bank to make the regular examinations of its own members which were now made by the Clearing House Examiner. He agreed, too, that it would use the branch bank to collect checks so far as it was feasible and that it would make the settlement of clearing house balances through the branch bank. He said that the branch bank would receive free membership in the Clearing House Association.

In commenting upon the location of the branch of the Federal Reserve Bank of the Twelfth District in Spokane, D. W. Twohy pointed out that it emphasized the city's importance as a financial center and predicted that it would be of "far-reaching importance to the Inland Empire." He continued:

It means that the gold reserve of the federal reserve system will be made immediately available to the country banks in this large producing district, and in the marketing of our grain, fruit, livestock, lumber, minerals and other products, and insures the banks within the system from fear of failure or panic.

With an eye to the future he observed:

Since the passage of the federal reserve bank law and the establishment of the system there has not been great need of its facilities, because the whole country has had a surplus of money, but when the time comes that money is not so plentiful, and particularly in time of strain, it should be a very comfortable feeling on the part of the bankers throughout this producing district to know that we have right at home a reserve reservoir equipped with all the power and machinery of re-discounting paper and issuing bank notes for its members, in this way keeping commerce of the country moving and relieving the banks of the necessity of calling in loans at a time when it would embarrass their borrowers to make payment.⁷⁹

Meanwhile, as the new year dawned, the writer of an editorial in the *Spokesman-Review* of January 1, 1917, expressed the belief that 1917 would be "another year of happiness and prosperity." With a gain of 40 per cent in production in the lumbering industry, with an increase in mining dividends, with the gardens and orchards producing the greatest yields in their history, and with workers having more jobs available to them than ever before, it was not surprising that banking in Spokane, the financial center

⁷⁹ *Ibid.*, Feb. 24 and April 29, 1917.

of the highly productive area of the Inland Empire, should have shown a growth of 32 per cent over the preceding year. Best of all, "wherever you look and at whatever you look, you can see and discover nothing but healthy growth and trustworthy tokens of continuing growth and increasing prosperity." In conclusion, the editorial writer observed that with such a record of achievement as Spokane had made in 1916, it had "only to keep on driving ahead with the same pluck, the same intelligence, the same energy, the same aspirations for civic betterment" and it would be another happy year in 1917.

The shareholders of the Old National Bank, which, as usual, was sharing largely in Spokane's prosperity,⁸⁰ made significant changes in the institution's directorate at the annual meeting in the early part of January. Levi Ankeny, whose election to the board early in 1903 in effect had completed the formation of the first board of directors after the purchase of the bank by the Twohys and their associates, retired. James C. Cunningham, A. L. Flewelling, R. B. Paterson, and Frank T. McCullough, all members of the board of directors of the Union Trust and Savings Bank, became new members of the board of directors of the Old National Bank. The Old National Bank's directorate now consisted of nineteen members and was identical with that of the Union Bank and Trust Company.⁸¹

Because required readjustments on the first floor of the Old National Bank had not been completed by January 1, 1917, the Old National Bank and Union Trust and Savings Company had had to postpone their joint occupancy of business quarters tem-

⁸⁰ A comparison of the growth of the city's population and of the Old National Bank's deposits during the first twenty-five years of its history reveals that, whereas the former had increased 522 per cent, or from 23,000 to 120,000, the latter had increased 16,000 per cent and stood at \$16,000,000. *Spokesman-Review*, Feb. 4, 1917.

⁸¹ Eight of this board of nineteen directors—T. J. Humbird, D. C. Corbin, Jay P. Graves, John D. Porter, W. J. Kommers, J. P. McGoldrick, W. J. C. Wakefield, and D. W. Twohy—had previously been serving as directors of both the Old National and the Union Trust. Seven of the board—August Paulsen, P. Welch, John Twohy, L. W. Hutton, Thos. F. Wren, W. D. Vincent, and E. P. Twohy—had already been serving as directors of the Old National. The remaining four on the board—Frank T. McCullough, A. L. Flewelling, R. B. Paterson, and James C. Cunningham—had been directors of the Union Trust and Savings Bank. Moreover, nine of the joint directors were shareholders in the Union Securities Company—two of this number, D. W. Twohy and T. J. Humbird, being officials of the concern. *Spokesman-Review*, Jan. 10 and 14, 1917.

porarily. In the interim, however, the Union Trust and Savings Company had occupied temporary quarters on the eighth floor of the Old National Bank Building and hence the two closely affiliated institutions were at last under one roof.⁸²

The Old National Bank celebrated its twenty-fifth anniversary on January 25, 1917, in a "cheerful mood." In commemoration of this anniversary, W. D. Vincent, vice-president, who had assisted with the organization of the bank and who was the only official who had been with it during its entire twenty-five years, was host at an elaborate banquet for members of the Fellowship Club, officers, and directors, ninety in all, at the Davenport Hotel. The Old National Glee Club provided entertainment. Vincent served as toastmaster and reminiscences were in order.⁸³

In its advertising at this time the Old National Bank made much of the theme of its twenty-five years of service in Spokane. It had been "identified with Inland Empire progress for a quarter of a century," had kept pace with the community's growth, and had "conscientiously lived up to its policies of safety and conservatism during that period." It graphically compared the growth of its deposits with the growth of Spokane's population as follows:

Population	Year	Deposits
23,000	1892	\$ 100,000
29,000	1897	500,000
40,000	1902	1,000,000
80,000	1907	6,000,000
104,000	1912	8,700,000
120,000	1917	16,000,000 ⁸⁴

By February 4, 1917, officials of the Old National Bank had increased its capital from \$1,000,000 to \$1,200,000 and those of the Union Trust Company had reduced its capital from \$500,000 to \$200,000. Because the Old National Bank subsequently carried on both commercial and savings banking, because the Union Trust Company conducted financial business of every type except commercial banking, and because "Savings Bank" was no longer part of its title, it seems clear that the joint directors had effected a

⁸² *Ibid.*, Feb. 4, 1917.

⁸³ *Ibid.*, Jan. 23 and 29, 1917.

⁸⁴ *Ibid.*, Jan. 26 and Feb. 4, 1917.

reorganization of the two institutions which sharply differentiated their functions.⁸⁵

At about this time the Old National Bank and the Union Trust Company were effectively advertising their "Complete Financial Service" with the Old National stressing "Constructive Banking" and the Union Trust "Comprehensive Service." The Old National claimed that commercial and savings banking as represented by its business was "broad in scope and helpful in any number of personal ways." The Union Trust Company pointed out that its activities included "every phase of financial business outside the realm of banking itself." The combined resources of the two institutions amounted to \$25,000,000.⁸⁶

With the entrance of the United States into World War I, the Old National and Union Trust, like banks and banking houses throughout the country, offered their services, without profit to themselves, to the United States Government for the distribution of War Loan Bonds to investors. They were entering subscriptions for these bonds by April 15.⁸⁷

Late in the spring of 1917, the Old National Bank introduced a "New Statement System." After thorough investigation of the Burroughs' bookkeeping machines, officials installed ten of the "latest electrically driven type, for posting depositors' monthly statements." Beginning on May 1, statements were to be "machine made." This type of statement made possible greater neatness and "absolute accuracy." In addition to showing the usual listing of deposits and checks, it also showed daily balances, "a distinctly advantageous feature."⁸⁸

At last, on June 10, 1917, the Old National Bank and "its affiliated Union Trust Company" were able to announce that, in

⁸⁵ *Ibid.*, See Appendix C. It seems likely that the officials of the Old National Bank and Union Trust and Savings Bank carried out their plans for the reorganization of the two institutions in anticipation of the passing by the state legislature of "a law relating to Banks and Trust Companies" early in March, *Session Laws of the State of Washington*, 15th Sess., 1917, Chap. 80, pp. 271-308.

⁸⁶ *Spokesman-Review*, Feb. 14 and 28 and April 15, 1917.

⁸⁷ *Ibid.*, April 15, 1917. The bankers of Washington rendered such enthusiastic and efficient service in the distribution of War Loan Bonds that the State Bank Examiner specifically commended them. The Old National and Union Trust were among the group of larger banking institutions that provided special facilities for this work. *Twelfth Annual Report of the State Bank Examiner . . . , 1918*, p. 6.

⁸⁸ *Spokesman-Review*, April 29, 1917.

their "commodious new quarters on the ground floor of the Old National Bank Building," they were in a position to offer the people of Spokane and the Inland Empire "a complete financial service under one roof." They could care for "all the financial needs of life . . . ranging from the smallest savings accounts to the commercial banking interests of the business man and the final administration of the larger estate."⁸⁹

During 1917, the Inland Empire, which had begun to feel the full impact of the war boom in 1916, continued to enjoy a high level of economic activity, which the entry of the United States into World War I probably accelerated somewhat. Despite decreases in deposits caused by the purchase of Liberty Bonds by their depositors, deposits in Spokane's banks were more than two million dollars higher than they had been at the end of the preceding year. Their loans and discounts showed a gain of slightly more than three million dollars. The deposits of the Old National Bank alone grew a little more than two million dollars, and its loans and discounts increased almost one and three-fourths million dollars.⁹⁰

There was increased business activity in Washington in 1918. On the whole, the banks of the state, particularly those on the West Coast and in the central section, had a very prosperous year. Deposits in both state and national banks grew steadily despite big purchases of Liberty Bonds and War Savings Stamps. Had it not been for the prevailingly high prices for agricultural products, however, banks east of the Cascades would have had a "severe set back," as this section produced only about 50 per cent of a normal crop of wheat. As it was, it appears that bankers would have "to carry a larger portion of their borrowing customers over into next season than they have had to do in recent years."⁹¹

Apparently, Spokane's banks experienced a noticeable slump during the course of the year, as there were decreases in both their deposits and loans and discounts. Toward the very end of the year, however, conditions showed some improvement, as eleven of the city's thirteen banks showed gains in deposits, those in the four larger banks being substantial. W. D. Vincent, vice-president of the

⁸⁹ *Ibid.*

⁹⁰ *Ibid.*, Jan. 8, 1918.

⁹¹ *Twelfth Annual Report of the State Bank Examiner . . . , 1918*, pp. 5 and 6.

Old National Bank, expressed the view that the "pendulum in business conditions" was swinging the other way and that "general conditions and enthusiasm" were "pushing us up the other way."⁹²

Because 1919 was a prosperous year generally throughout the state of Washington, the resources of the bank and trust companies increased to "an unprecedented degree," having reached and passed the half-billion mark for the first time in the state's history. There was a gain of "approximately 25 per cent" in bank deposits, an increase of almost three times that reported for 1918. For the most part, these funds were invested in liquid assets. Besides, many bankers also converted non-liquid assets into liquid assets.⁹³

The Old National Bank, which had had a decline of about one and three-quarter millions in deposits and about a million in loans and discounts in 1918 despite the fact that its total assets had shown a slight increase, was somewhat more prosperous in 1919 than it had been in the preceding year. There was a substantial increase in its total assets. Although its deposits increased markedly, however, its loans and discounts continued to decrease.⁹⁴ The Old National Bank, with its payment of \$200,600 in interest to a reported 17,000 savings depositors, led the banks of Spokane in their distribution of a total of \$350,000 in interest paid to 40,000 savings depositors. President Twohy of the Old National Bank, in alluding to the publicity given to the payment of extra dividends to stockholders and to the distribution of bonuses among employees, said that the fact that the banks were paying out more in savings interest than in dividends and bonuses was significant. The officials of the Old National Bank itself, incidentally, had paid its annual 10 per cent dividend, \$120,000, and had divided a bonus of \$30,000 among its employees.⁹⁵

(Continued in the next issue, p. 135)

⁹² *Spokesman-Review*, Jan. 7, 1919.

⁹³ *Thirteenth Annual Report of the Bank Commissioner of the State of Washington*, 1919, pp. 5 and 6.

⁹⁴ See Appendix B.

⁹⁵ At about this time, the Union Trust Company, affiliated with the Old National Bank, called attention in its advertising to the "all too common tendency now a days to invest money on dangerous hearsay" and offered the services of its bond department to assist customers in selecting securities of "proven merit." *Spokesman-Review*, Jan. 3 and 7, 1920.

A COMMENT OF SHAW ON THE ATOMIC BOMB¹

PAUL P. KIES
Professor of English

On a sheet of paper now belonging to the present writer, the following question was submitted to George Bernard Shaw, the identity of the person or organization that made the request not being indicated on the manuscript:

Should atomic power be as suddenly used for industrial constructive constructive [sic] purposes as it has been for destruction do you fear that the enormous displacement of labour that would ensue would result in even more suffering to the proletarian population, than the industrial revolution of 180 years ago caused?

The famous dramatist wrote his answer in script with red ink on the same sheet:

I cannot place any limit to political stupidity. The first enemy to be destroyed by the atomic bomb may be the tsetse fly or the anopheles mosquito [just before "tsetse fly," a word—evidently a misspelling of "tsetse"—is deleted by being heavily inked over]. That would make the earth much more habitable than it is at present.

Shaw's statement is very effectively expressed, especially the first sentence, which is in his characteristic satirical manner. One should observe, however, that he did not really answer the question asked. He did not say whether he feared that the sudden use of atomic power for constructive purposes would cause serious unemployment, but merely that, if it were not for political bungling, "the atomic bomb" (he probably meant atomic power) could be used to benefit—instead of to harm—mankind. Evidently he did not read the question carefully enough to notice the specific phase intended, or was more interested in directing a clever thrust at political authorities than in replying to the actual question submitted to him.

¹Published December 28, 1951.

September-December, 1949

RESEARCH STUDIES
OF THE
STATE COLLEGE OF WASHINGTON



	PAGE
THE OLD NATIONAL BANK OF SPOKANE (PART B) <i>Claude A. Campbell</i>	135
FOUR NEW WAGNER LETTERS: <i>Paul P. Kies</i>	209

RESEARCH STUDIES
of the
STATE COLLEGE OF WASHINGTON

EDITOR-IN-CHIEF

PAUL P. KIES, *Professor of English*

ASSOCIATE EDITORS

CARL M. BREWSTER
Professor of Organic Chemistry

CARL I. ERICKSON
Professor of Psychology

HERMAN J. DEUTSCH
Professor of History

HERBERT L. EASTLICK
Associate Professor of Zoology

Entered as second-class matter December 26, 1936, at the post office at Pullman, Washington, under Act of August 24, 1912.

Research Studies of the State College of Washington is published in Pullman, Washington, by the State College of Washington. It is issued four times a year—in March, June, September, and December.

PURPOSE. *Research Studies* is a medium of publication for articles of research in the pure sciences and arts, being limited to material making a contribution to knowledge. Its pages are open to the faculty and the advanced students of the State College of Washington. One issue each year is devoted to papers read by members of the Pacific Sociological Society at its annual convention. Suitable articles by other persons are accepted whenever space is available.

MANUSCRIPTS. Authors who wish to publish in *Research Studies* should submit their manuscripts to Paul P. Kies, Room 305, College Hall, Pullman, Washington. Though no strict limit is set as to the maximum number of pages or the nature or number of illustrations, authors are reminded that the papers must be actual research. Long introductions, unnecessary comments, and repetitions are not acceptable. Authors who will assume the expense may arrange for the inclusion of extra pages, tables, or illustrations.

SUBSCRIPTIONS. *Research Studies* will be mailed postpaid to subscribers for three dollars a year. Subscriptions are payable in advance to *Research Studies*, Correspondence Office, State College of Washington, Pullman, Washington, U. S. A.

EXCHANGE. *Research Studies* is offered in exchange to other colleges, universities, learned societies, and libraries. Publications sent in return should be addressed to the Exchange Department, Library, State College of Washington, Pullman, Washington, U. S. A. At present, all back numbers and title pages can still be supplied.

SINGLE NUMBERS. Single numbers will be sold or exchanged as long as available; orders should be addressed to *Research Studies*, Correspondence Office, State College of Washington, Pullman, Washington, U. S. A. For prices of back numbers (with the list of articles in each number), see pages 227-28 of the present issue, the page after the "Contents and Index" of the present volume (Vol. XVII), and pages 225-29 of Vol. XVIII, No. 4. The price of the present issue is \$1.50.

RESEARCH STUDIES of the STATE COLLEGE OF WASHINGTON

Volume XVII

September-December, 1949

Numbers 3-4

THE OLD NATIONAL BANK OF SPOKANE: The Pioneer "Big Bank" of Spokane and the Inland Empire*

CLAUDE A. CAMPBELL

Associate Professor of Economics

PART B

V. A Metropolitan Bank—with Twohy as Chairman of the Board (1920-1929).

The first general reorganization in the management of the Old National Bank since 1917 occurred early in 1920.¹ At their annual meeting on January 13, 1920, the stockholders effected a noteworthy change in their organization, which also involved the Union Trust Company and the Union Securities Company, an affiliated institution,² by creating a new position, chairman of the board of directors. In the opinion of the stockholders, the rapidly growing business of all three institutions³ necessitated a greater division of executive responsibilities. This plan relieved the newly created chairman of the board of administrative detail and enabled him to devote full time to the formulation of policies. The creation of this new post was "in line with the most approved metropolitan banking practice." In the main, the Old National's arrangement followed the plan of the Chase National Bank of New York.

D. W. Twohy—who had served as president of the Old National

* Published March 20, 1952.

¹ There had been a few minor changes during 1918 and 1919. In 1918, E. P. Randall had become an assistant cashier. At the very beginning of 1919, James C. Wakefield, who had helped organize the Union Trust Company and had since served as its vice-president and general manager, had resigned that position but had retained his post as a joint director of the Old National Bank and Union Trust Company. At this annual meeting in January, 1919, the directors of the Old National Bank and Union Trust Company had elected George Tatsch as assistant cashier of the Old National Bank and George L. Kimmel as assistant secretary of the Union Trust Company. *Spokesman-Review*, Jan. 3, 1918 and Jan. 15, 1919.

² According to Twohy, the Old National held an interest in and directed the management of twenty-two banks in the "Spokane Country." *Spokesman-Review*, Jan. 14, 1920.

³ At this time, the combined capital and surplus of the Old National Bank, the Union Trust Company, and the Union Securities Company amounted to \$3,000,000, and their combined resources were \$48,200,000. *Spokesman-Review*, Jan. 14, 1920.

Bank since 1902 and of the Union Trust Company and the Union Securities Company since the dates of their organization in 1907 and 1909, respectively—now became chairman of the boards of all three institutions. His duties and responsibilities became larger under the new plan. His release from attention to detail would enable him to “devote himself to the functions of efficiency and coordination within institutions and to closer relations with customers, patrons and the public generally.”

The elevation of Twohy to the office of chairman of the Board made possible the “well-deserved promotion” of several of the important officers of the Old National, the Union Trust, and the Union Securities Company. The vice-president of each bank—W. D. Vincent of the Old National, W. J. Kommers of the Union Trust, and J. K. McCornack of the Union Securities Company—became president of his institution. J. A. Yeomans, formerly cashier, became vice-president of the “Big Bank” and George H. Greenwood, formerly an assistant cashier, became cashier of it. Frank C. Paine, formerly secretary of the Union Trust Company, became one of its vice-presidents. According to Twohy, these changes enabled these men to “attain their ultimate ambitions and assume larger responsibilities in the institutions while still in their prime.”

Twohy called attention to the fact that the officers who enjoyed promotion under the plan were veterans in the service of the Old National's group of institutions, all having been employed from ten to twenty-five years. He said that these concerns trained their own men for important executive positions and that they had not taken any officers from the outside since the present owners acquired control of the Old National.

The stockholders made only one change in the joint board of directors of the Old National and the Union Trust at their annual meeting in 1920. They elected J. K. McCornack to succeed James C. Cunningham, who was going to Walla Walla as head of the Union Trust Company of that city.⁴

Later in 1920, the Old National Bank and Union Trust Company arranged with the Equitable Life Assurance Society for a group-insurance policy covering the entire staff of 130 officers and employees. Medical examinations were not necessary. One had to

⁴ *Ibid.*

be in the employ of one or the other of these institutions before being eligible for benefits. Officers and employees were on an equal basis, with a maximum benefit of \$3,000. Those having dependents shared in the benefits to a larger degree than did those without, "thus encouraging the making of a home and bringing up a family." The institutions bore the cost of the program. According to Twohy, the officials had reached the conclusion that the "hazard of the loss of the bread winner of the family should be systematically covered in a scientific manner."⁵

The year 1920 brought increased business and prosperity to the Old National Bank. Its total assets increased by about two million and its deposits by almost one million. Much more striking, however, was the fact that there was an increase of nearly six and one-half million in its loans and discounts. Meanwhile, in contrast, the shrinkage of deposits in the United States as a whole and in Washington state showed a tendency toward deflation and contraction, the peak of high prices having passed.⁶

Despite the continued prosperity of their own institution, the officials of the Old National Bank were aware that 1920 had brought new and perplexing problems and that readjustments from the abnormal level of the war had come more swiftly than the leaders in business and industry had expected. They pointed out that the reaction from high prices was "inevitable" and suggested that, because the current strain was swift and sharp, it would therefore be over the more quickly. They urged people to put losses and apprehensions behind them with the old year and go forward into the new year with optimism as the "country is fundamentally sound and the future is full of promise." The world would still use our wheat, lumber, livestock, minerals, they said, and confidence, thrift, and industry would bring a "more lasting prosperity."⁷

The response of the member banks to the call of the Federal Reserve Board for a report early in January of 1921, which G. H. Greenwood, cashier of the Old National Bank, said reflected "pretty accurately" the "general conditions" at the time, showed that cash reserves in Spokane's banks were heavy, that their deposits had fallen, as was usual for the time of year, and that loans were be-

⁵ *Ibid.*, Oct. 10, 1920.

⁶ See Appendix B; *Fourteenth Annual Report of State Commissioner...*, 1920, p. 5.

⁷ *Spokesman-Review*, Jan. 2, 1921.

ginning to decline, a "healthy sign" that showed that liquidation was beginning to take place. It was significant that, though deposits in Spokane's banks had declined about \$11,000,000 during the year, loans had decreased to a much smaller degree; in other words, the banks had been "taking care of their customers without calling their loans." Though Greenwood expected deposits to shrink further toward spring as a matter of course, he hoped that farmers could now begin to sell their wheat and liquidate their loans, thereby counteracting to some extent the anticipated further shrinkage in deposits.⁸

The year 1921 "brought but little joy to the banker, the business man or agriculturist" unless he found pleasure in "undertaking a difficult proposition and wrestling with heavy odds." Many people had failed; some were still strong; and some, who had prepared for lean years during the days of plenty, were securely established. As 1921 drew to a close, there were signs that the difficult period of immediate postwar readjustment was nearing an end, although there were still some obstacles to overcome.⁹

The total assets of the Old National Bank shrank slightly more than \$2,000,000 during 1921. Inasmuch as deposits increased substantially and the surplus also grew over \$100,000, however, the loss apparently came from the decrease in loans and discounts, which were almost \$3,000,000 less than they had been at the end of the preceding year. Thus the bank had improved its position and was well prepared for an expansion of its activities.¹⁰

In January 1922, D. W. Twohy, chairman of the boards of directors of the Old National Bank, the Union Trust Company, and the Union Securities Company, observed that results for the preceding year had been "reasonably satisfactory." President Vincent of the Old National, along with some other bankers of Spokane, was analyzing bank statements optimistically. Banking conditions were nearly normal. The Old National was one of six Spokane banks whose deposits were greater than they had been the year before.¹¹

⁸ *Ibid.*, Jan. 6, 1921.

⁹ *Fifteenth Annual Report of the Supervisor of Banking of the State of Washington, 1921*, p. 5.

¹⁰ *Spokesman-Review*, Jan. 3, 1923; see Appendix B.

¹¹ The combined resources of the Old National and the Union Trust, however, had decreased from approximately \$25,000,000 in 1920 to \$22,198,120 by December 31, 1921. *Spokesman-Review*, Jan. 8, 1922.

In its advertising at this time, the Old National emphasized the fact that business was "coming back." It called attention to the importance of a "dependable, helpful banking connection" as better times came. "The merchant, manufacturer, lumberman, contractor, farmer or miner who has established relationship with the Old National Bank," it pointed out, "finds not only complete facilities, trained organization and thorough familiarity with the business needs in the Spokane country, but finds also careful consideration of his plans and the spirit of cordial cooperation in his interests." This bank's policy was to "work *with* as well as *for*" its customers.

The most important action at the meeting of the stockholders of the Old National Bank and Union Trust Company was the election of L. M. Davenport, president of the Davenport Hotel Company, to succeed A. L. Flewelling (who had asked to be relieved because of his removal to California) as a member of the respective boards of directors of the Old National Bank, the Union Trust Company, and the Union Securities Company. Twohy said that Davenport had been a client almost from the time of the bank's organization and that the stockholders were glad to have him as a director. There were no changes among the officers of any of the institutions.¹²

At meetings on January 22, the boards of directors of the Old National Bank and Union Trust Company approved plans for "the extension of the banking and trust quarters, including installation of safe-deposit vaults in the basement and the erection of a mezzanine floor around four sides of the present bank quarters" at an estimated cost of \$150,000.¹³ Thus, for the third time within twelve years, the growth of business and the resulting demand for facilities had made it imperative for the Old National and Union Trust to increase their facilities substantially.

Bids were already being received and the contract for construction was to be awarded at an early date. The task was to be completed by fall. W. D. Vincent, president of the Old National, W. J. Kommers, president of the Union Trust, and Frank T. McCullough, a member of the boards of directors, made up the

¹² *Ibid.*, Jan. 1, 8, and 17, 1922.

¹³ The architects had advised officials, who had had the plan for expansion under consideration for some time, that this was the "opportune time" for construction, as costs were 30 per cent less than they had been a year earlier and that there appeared to be no likelihood that they would decrease further.

special committee charged with the supervision of the work. Kommers, who had served in the same capacity when the Old National Bank Building was erected in 1910, was to have immediate direction of the project.

The proposed extension would give the Old National and Union Trust three floors, with an increase of from 21,915 to 33,757 square feet in floor space, a gain of over 50 per cent. The largest and costliest single item would be the installation of the new safe-deposit department. The plans called for a vault that would "represent the last word in such construction, not only from the standpoint of safety and security, but in the way of convenience and comfort for the box holders." Because the measurements were to be twenty-five by thirty-seven feet, it would be "considerably the largest in the Pacific Northwest." It had a potential capacity of 15,000 boxes, with 3,500 of various types to be installed at this time.¹⁴

Besides the usual private safe-deposit booths, of which 15 were to be installed immediately, there were to be numerous conference rooms. These rooms, "a new feature," were to serve for stockholders' meetings, for meetings of civic, fraternal, and religious organizations, for conferences of lawyers and clients, and for gatherings of other groups. One, incidentally, was to be exclusively for the use of women. In addition, the mezzanine was to have comfortable lounging quarters, writing desks, telephones, and "other little refinements" for the convenience of the public.

The completion of this extensive program of remodeling and expansion would make the Old National's banking quarters "as conceived by the architects when the building was built." The organization would be "rounded out" and prepared to offer to the public a complete service for banking, trusts, investments, and safe deposit under one roof.¹⁵

Apparently the Old National Bank and Union Trust Company themselves had not suffered greatly during and as a result of the depression of 1921.¹⁶ Although the Old National was not primarily a farmers' bank, however, the fact of its location in the

¹⁴ To meet the demand for "popular-sized boxes," 3,000 of the first ones installed were to be of this type. According to Twohy, the growth of the "safe deposit business" in the city was one of the impelling reasons for the expansion of the bank's facilities at this time.

¹⁵ *Spokesman-Review*, Jan. 22, 1922.

¹⁶ See Appendix B.

eastern section of Washington, where the effects of the depression were greater and more widespread than in the western section, and the fact that it controlled the Union Securities Company, which consisted largely of country banks in eastern Washington, meant that it was necessarily affected to some extent by it. The Old National and Union Trust were very probably among the financial institutions which the state supervisor of banking commended for their cooperation and assistance to him in forwarding the liquidation of failed banks in the least injurious way possible and for the manner in which they had supported the agricultural bankers "both with money and constructive service."¹⁷

There was a continuation of the process of deflation during the first part of the year, which, on the whole, was a "trying and strenuous" year in which bankers had to continue to absorb losses, as they had done in 1921. Before the end of the year, bankers had put their losses behind them by charging them off their books. Generally, they had taken such a conservative view of these assets that there was every reason to believe that, with a continuance of prosperous conditions on the Coast and with improved agricultural conditions east of the Cascades, they would ultimately make no small recovery from the assets which they had taken into the loss account.¹⁸

As Spokane's bankers, who had been perhaps more fortunate than many others, reviewed their records for 1922 at the close of the year, they were "jubilant." Deposits had increased a total of \$1,250,000 in eleven of the fourteen banks of the city. The loans and discounts of the banks, which were \$5,500,000 higher than they had been at the end of the preceding year, were indicative not only of increased business, but also of the ability and willingness of the Spokane bankers to handle it. Vincent, president of the Old National Bank, said that the bank statements reflected the "highly satisfactory condition of the Spokane banks" and declared they were in good condition to start the new year, which promised to be a prosperous one. The lumber and mining industries were in good condition and getting better. The livestock business was "approaching normal," and abundant moisture indicated that crops would be good.¹⁹

¹⁷ *Sixteenth Annual Report of the Supervisor of Banking . . . , 1922, p. 4.*

¹⁸ *Ibid.*, p. 3.

¹⁹ *Spokesman-Review*, Jan. 3, 1923.

The upturn which had begun near the middle of 1922 gained some momentum for the state as a whole in 1923. Although there had been no "striking changes" in business conditions during the year, morale among business men, who viewed the future with uncertainty rather than discouragement, had improved somewhat. Bankers generally had continued to make the readjustments necessitated by "the deflation" and thereby had improved the positions of their respective institutions. Both commercial and savings deposits had increased materially.

Inasmuch as there was a tremendous carry-over of farm and horticultural products, there necessarily were some borrowings on the part of banks in the farming districts of eastern Washington, although such borrowings for the state as a whole were smaller than at any other time since the close of the year in which the United States entered World War I. The depressed prices for agricultural and horticultural products aggravated this situation.²⁰

Because of its location in the eastern part of the state, where the effect of the depressed condition in agriculture was most widely felt and because of its close relationship with a large number of country banks, the Old National Bank was somewhat affected by the continued agricultural depression. Nevertheless, reports to its stockholders at their annual meeting early in January of 1924 showed that the institution had had a "satisfactory year." Total assets had increased by about \$900,000. Surplus, undivided profits, and reserves, however, were \$125,000 less than they had been in 1922. Increases in loans and discounts and in deposits were not quite as large as they had been in the preceding year. In their advertising at this time, the officials of the Old National Bank called attention to how "fairly and equitably" it had operated during the year by pointing out that savings depositors had received in interest almost two and one-half times the total amount of dividends received by the owners of the bank. They felt that the "loyalty, goodwill and growing patronage" which the bank enjoyed were "attributable to fairness to depositors, borrowers, shareholders, and all who deal with it."²¹

The remainder of the decade of the twenties was a period of outstanding activity and of a very considerable measure of prosperity

²⁰ *Seventeenth Annual Report of the Supervisor of Banking . . . , 1923*, pp. 3-4 and 14.

²¹ *Spokesman-Review*, Jan. 1 and 9, 1924. Also, see Appendix B.

for both the Old National Bank and Union Trust Company. Their respective officials were aggressive and efficient in their efforts to secure an ever-increasing share of the business of Spokane and the Inland Empire. In their advertising, they made much of their complete banking service "Under One Roof," their conservative banking practices, and the "steady progress" of their institution throughout its many years of "co-operation with Spokane and the 'Inland Empire.'" This service included "ample resources and modern facilities" for all requirements of commercial banking, up-to-date safe-deposit vaults and provision for handling collections, escrows, exchange, and money orders. They also stressed the fact that the Old National paid compound interest on savings accounts and also issued interest-bearing certificates of deposit. It would make loans secured by first mortgages, on "income producing farms and modern Spokane residence properties." The Union Trust Company was prepared to act "in all trust capacities." It would assume complete management of property used for business or residential purposes.²²

Along with their policy of making the public aware of their banking policies and practices, those in charge of the Old National Bank continued their custom of employing new techniques and methods for improving their services to their clients. Early in 1925, for example, the managers of the Old National Bank completed arrangements for a \$5,000,000 registered-mail policy with "blanket coverage insuring all shipments of the bank for a period of one year." This policy, believed to be the largest of its kind ever issued in Spokane, was a "recent departure" in registered-mail insurance because of its broader coverage and its freedom from detail. For example, also, early in 1929, the Old National Bank and Union Trust Company advertised that it maintained a "special department" where "women patrons" might obtain information about "our services and also business and financial counsel, including investing and budgeting."²³

The publicity department of the Old National Bank and Union Trust Company maintained extensive mailing lists and sent out in-

²² By the spring of 1929, the Old National Bank and Union Trust Company also advertised that it would make commercial loans to "corporations, firms, and individuals." "Bank Statements" of the Old National Bank and Union Trust Company.

²³ *Spokesman-Review*, Jan. 6, 1925; "Bank Statements" of the Old National Bank and Union Trust Company.

formation concerning the services of the institution's various departments—for example, savings, bonds, investments, trusts and estates, and insurance and surety bonds. It distributed statements of the condition of the Bank and Trust Company published at the Comptroller's call. It also called attention to its monthly "General Letter on Trade Conditions and a Business Forecast," which was available free, upon request. In addition, it supplied "The Commercial Digest," which was supplemental to the "General Letter," to selected clients for their "own confidential use and not for publication." Although most or all of this material had been available for several years, officials apparently made vigorous efforts to widen its circulation and effectiveness at this time. Of particular interest from the standpoint of educating the general public on the business of banking was a series of advertisements in the latter part of 1924 which presented certain problems involved in the management and operation of a bank, and another series in the summer of 1925, in which some of the members of the bank's board of directors discussed various aspects of the general question of "Greater Safeguards Around the People's Money."²⁴

The recovery from the depression of 1921, which had begun by mid-1922 and had gained some momentum in 1923, continued at an accelerated pace for the state as a whole throughout 1924. Eastern Washington, however, generally lagged somewhat behind the rest of the state because of the extremely "unfavorable conditions" (apparently the weather) which prevailed in the wheat-producing sections.²⁵ Nevertheless, combined deposits of Spokane's banks, which now included Hillyard's banks, since Hillyard had become a part of the incorporated city of Spokane, reached the highest point in their history by the end of 1924 and stood at \$55,886,679, and their combined resources amounted to \$65,000,000.²⁶

One of the most important events in 1924 for the Old National Bank was its acquisition of the business of the Spokane branch of

²⁴ *Spokesman-Review*, Nov. and Dec., 1924, and June, 1925.

²⁵ *Eighteenth Annual Report of the Supervisor of Banking . . . , 1924*, p. 3.

²⁶ Combined deposits in Spokane's banks for the period from 1910 to 1924 inclusive:

1910	\$31,457,635	1915	\$30,906,894	1920	\$51,089,504
1911	32,292,664	1916	39,294,281	1921	44,780,177
1912	39,969,137	1917	43,999,000	1922	48,087,573
1913	40,967,969	1918	41,723,964	1923	50,272,584
1914	31,044,721	1919	52,560,699	1924	55,886,679

Spokesman-Review, Jan. 15, 1925.

the Bank of Montreal²⁷ on November 10. In his statement relative to the closing of the Spokane branch of the Bank of Montreal, G. A. C. Weir, manager of the institution, said that, because of the "change in conditions," it was no longer necessary to maintain the Spokane branch (which had opened "principally to serve the mining interests of Spokane which were largely interested in the Kootenay and Boundary districts in British Columbia"), because officials felt that local banks could "take care of all local requirements." In his letter to depositors announcing the change, Weir declared that, in turning its business over to the Old National Bank, the Bank of Montreal had "no hesitancy in recommending that institution to its customers, feeling confident that they will receive the same courteous service from them, together with the safety afforded by ourselves." He asked for the Old National Bank the "same loyal support and cooperation" which the Spokane branch of the Bank of Montreal had enjoyed.

Both Twohy, chairman of the board of directors of the Old National Bank and the Union Trust Company, and Kommers, president of the latter, who had been active in negotiating the transfer, were pleased with the outcome. In his statement relative to the matter, the former observed that the Bank of Montreal, which had opened its branch in Spokane in 1903 "to aid the inter-allied banking interests of British Columbia, Alberta and the Inland Empire, and to foster the pioneer development of the agricultural, mining and timber development of these contiguous districts,"²⁸ had served "a useful purpose in this respect." Though he expressed regret that the Bank of Montreal had decided to "relinquish its local branch," he said that the Old National Bank felt "highly honored to have been selected by the Bank of Montreal of Canada to serve its Spokane depositors" and welcomed the opportunity thus offered to broaden the scope of its service.

Weir consummated the transaction by giving the Old National Bank a check for \$1,500,000, thought to be the largest ever drawn in

²⁷ It had been necessary to obtain the approval of the State Commissioner of Banking for this transfer, inasmuch as the Spokane branch of the Bank of Montreal, one of the three branches of the Bank of Montreal in the United States, had been operating under a special license since its establishment in 1903. *Spokesman-Review*, Nov. 9, 1924. See above, n. 13 in §III.

²⁸ The Canadian Pacific Railway apparently had been instrumental in bringing about the establishment of a branch of the Bank of Montreal in Spokane. See above, n. 13 in §III.

Spokane, covering the outstanding deposits of the branch. Officials of the Old National Bank mailed notices to all former depositors of the Bank of Montreal to call at the Old National Bank to exchange their passbooks and checkbooks, the only formality affecting them in the matter.²⁹

Only slightly more than a month after the Old National Bank had acquired the business of the Spokane branch of the Bank of Montreal, the directors of the Old National Bank and Union Trust Company instructed officials of these institutions to lower the mortgage interest rate for home owners in Spokane from 6 per cent to 5½ per cent, the lowest rate of interest which Spokane had ever had. There was a "modest charge" to cover incidental expenses incurred in making the loans. The directors believed that "conservative and carefully selected paper" of its kind represented a "high type of security suitable for a reasonable percentage of a bank's investment" and so lowered the interest rate to obtain a greater volume of it. They likewise felt that such a course of action extended to borrowers in Spokane the "benefit of recent economic changes, establishing lower interest levels throughout the land." They were also pleased because this policy gave added impetus to the "'Own Your Own Home' movement" and thereby aided in increasing the ownership of homes in the Spokane area, where the large percentage of homeowners was already one of the city's "most attractive features."³⁰

At the end of the year, statistics revealed the fact of the high level of activity and prosperity which the Old National Bank had maintained during the year. Its total assets increased by very nearly two millions and its deposits by almost one and one-half millions. Its surplus, undivided profits, and reserves, however, amounted to about \$300,000 less than they had at the end of 1923. Loans and discounts, which had increased markedly, stood at \$17,551,526, the highest point in the institution's history.³¹

Banks of Spokane and the Inland Empire—including, of course, the Old National Bank³²—were apparently somewhat less pros-

²⁹ *Spokesman-Review*, Nov. 9, 1924.

³⁰ *Ibid.*, Dec. 14, 1924.

³¹ See Appendix B.

³² The Old National Bank acquired the assets and liabilities of the Worden (Washington) State Bank in June, 1925. *Nineteenth Annual Report of the State Supervisor . . .*, 1925, p. 15.

perous in 1925 than they had been in the preceding year. A gain of only about three-quarters of a million dollars in deposits for 1925 contrasted somewhat sharply with the gain of a little more than five and one-half millions during 1924. Nevertheless, there was seemingly considerable optimism concerning the future in financial circles. The president of one of Spokane's banks observed that conditions had never been better and said that he felt more hopeful as to the outlook than he had at any time within five years. Business men, he declared, reported that 1925 had been "a good year" for them; and farmers, who had had good crops for which they had received "fair prices," were in better condition than before, as was shown by "farm liquidation," which was greater than it had been for some time. Vincent, president of the Old National Bank, said that the "road ahead for Spokane and the Inland Empire" looked better to him than ever before. He believed that there would be an influx of immigration into the area and that the newcomers would take advantage of opportunities which residents of the area were overlooking and make money out of the Pacific Northwest, as others had made it out of Florida.³³

Either because of or despite the fact that 1925 had been a year of contraction for the Old National Bank,³⁴ its officers and directors decided to make certain changes involving their institution and its affiliated institution, the Union Trust Company. Before the end of the first quarter of 1926, therefore, the officers and directors of the Old National Bank and the Union Trust Company had perfected plans for a reorganization involving the two institutions. On March 31, 1926, the shareholders of the Old National Bank and the Union Trust Company "approved plans for the merger of these two institutions, and the consolidation was put into effect with the closing of business" on that day.³⁵ Twohy, chairman of the board, said that the directors had considered con-

³³ *Spokesman-Review*, Jan. 3, 1926.

³⁴ Its total resources had declined by a little more than \$2,000,000, and its deposits had decreased about \$2,000,000, although its surplus, undivided profits, and revenues had increased about \$125,705. See Appendix B.

³⁵ "Financial Statements" of the Old National Bank and the Union Trust Company. The institutions had always been affiliated, and since 1917, the shareholders of the Old National Bank owned all capital of the Union Trust Company and the directors of the two organizations were the same (see above, n. 81 in §IV). The newly merged institution continued to operate under the name of Old National Bank and Union Trust Company.

solidation at various times since amendment of the Federal Reserve Act had authorized national banks to conduct a trust business and that they were glad now to combine the resources and service departments of the institutions. The management expected to continue its policy of anticipating the financial needs of the community, and it bespoke for the newly consolidated concern the same "loyal and generous patronage" that the affiliated organizations had enjoyed. This reorganization was "but a further step in the development of a 'Greater Inland Empire.'"

The "invested capital"—that is, capital, surplus, and profits—of the Old National Bank and Union Trust Company was increased to more than \$2,000,000. The capital of the consolidated institutions was increased from \$1,200,000 to \$1,500,000. The "combined responsibility" of the new institution was over \$50,000,000, with \$23,000,000 of the assets in the banking department and \$30,000,000 of them "held in trust."³⁶

Departmental organization was to remain intact, and departments were to continue in their same quarters. There were to be no changes in the duties of executive officers and the staff. The merger, however, offered possibilities for "a more flexible coordination" of activities in the banking and trust departments, made possible greater expansion, and facilitated the development of new financial services.

The merger necessitated changes among executives which involved both a realignment of official positions and the promotions of some officials. Kommers, former president of the Union Trust Company, became senior vice-president and trust officer of the consolidated concern. Thomas J. Humbird and W. J. C. Wakefield, former vice-presidents of the Old National and Union Trust, respectively, became advisory vice-presidents. G. H. Greenwood, former cashier of the Old National, and Frank C. Paine and Harold E. Fraser, former vice-presidents of the Union Trust, became executive vice-presidents. Greenwood and Paine also became members of the board of directors.³⁷ Burtis L. Jenkins,

³⁶ This was the largest trust account in the state.

³⁷ They apparently replaced J. K. McCornack and John D. Porter, whose names no longer appeared on the list of directors. The number of directors had decreased from nineteen to seventeen by 1924. Jay P. Graves, who had declined reelection in January, 1924, and R. B. Paterson, who had died during the course of the year, had not been replaced. "Financial Statements" of the Old National Bank and Union Trust Company; *Spokesman-Review*, Jan. 9, 1924 and Jan. 3, 1925.

a former assistant cashier of the Old National, became cashier of the new institution. The other former assistant cashiers of the Old National and the former treasurer and assistant secretaries of the Union Trust Company continued in their respective positions. The new officers and directors, who had long been identified with the old institutions and who had been "responsible in a large measure for their growth and development," promised depositors and clients a continuation of "the helpful financial service distinctively characteristic of the former 'Old National-Union Trust' organization" and welcomed additional opportunities to be of service.³⁸

Despite the fact that deposits in the fifteen Spokane banks³⁹ were over a million dollars less at the end of 1926 than they had been at the close of the preceding year, bankers were talking of the prosperous conditions that prevailed in the area. Deposits, after all, were virtually the same as they had been at the last of December, 1924, which was approximately five millions more than they had been at the same date in December, 1923, when the section was continuing slowly to recover from the depression of 1921 and 1922. Moreover, it was not a falling off in business that had brought about the relatively small loss, that is, 2 per cent, in deposits, which was actually "no more than the weekly fluctuation in deposits at any one of the three larger banks." Savings deposits in most of the banks were higher than they had been the year before. Commercial deposits, in spite of large withdrawals of public funds and of money belonging to country banks, were likewise large. Along with the decline in deposits, there was a decrease of very nearly two

³⁸ *Spokesman-Review*, April 1 and 4, 1926; "Financial Statements" of the Old National Bank and Union Trust Company. In this, as in earlier reorganizations, the Old National followed the policy of making promotion of individuals from within its own group and therefore from among those whom it had trained over a period of years. According to Kommers, who was for many years in charge of personnel at the Old National Bank, this policy enabled the institution not only to guarantee the continuity and competence of its own staff but also to recommend to other banking firms in the area promising employees for whom there were no adequate openings at the Old National Bank. This had the effect of accommodating other banks and extending the Old National Bank's influence at one and the same time. Interview with W. J. Kommers, Dec. 27, 1949.

³⁹ They were, in order of size of deposits: Old National Bank and Union Trust Company, Exchange National Bank, Spokane and Eastern Trust Company, Fidelity National Bank, Brotherhoods Co-operative National Bank of Spokane (founded July 28, 1923), American Bank (formerly the Scandinavian-American), Washington Trust Company, Security State Bank, Hillyard State Bank, First National Bank, Hillyard, Union Park Bank, Farmers and Mechanics Bank, Wall Street Bank, Spokane State Bank, and the Brotherhood State Bank.

millions in loans and discounts, which indicated a "healthy liquidation." In addition, surplus and undivided profits were over two hundred thousand dollars more than they had been at the close of 1925.

Spokane's bankers, at least those quoted in the press, analyzed the decline in deposits not only as an indication of existing prosperity but also as an expression of confidence in the future. Country banks, which had "largely liquidated," were now in position to decrease their reserves and, consequently, to invest money which had been drawing a low rate of interest in Spokane banks in "good broker's paper and bonds." Public officials had converted large amounts of public funds into bonds.⁴⁰ Apparently, many of Spokane's financiers, like a very great many of those elsewhere in the state and nation, were probably failing to make proper distinction between the purchase of securities for investment and for speculative purposes.

Near the beginning of the twenty-fifth year of the Old National Bank's history under the management of its current owners, officials published a large advertisement showing the "breadth and volume" of the transactions of the institution during the preceding year as revealed in short resumés of the activities of its principal departments. The merger of the Old National Bank and the Union Trust Company during 1926, they declared, had created a "greater and stronger bank" and had resulted in increased business for the institution. Total deposits now stood at \$19,000,000, and invested capital at \$2,241,000. Total trust responsibility amounted to \$29,000,000.⁴¹

The total volume of loans and discounts handled during the year was \$78,000,000, and the average volume carried was \$18,300,000. The average daily volume of loans was \$180,000. Fifty-one per cent of the 19,000 loans made during the year were for amounts of \$500 or less, and 49 per cent for amounts in excess of this sum.

Deposits in the commercial banking department, which had more than 9,000 checking accounts, amounted to \$10,000,000 in round numbers. The total amount deposited during the year was \$450,000,000, with average daily deposits of \$1,500,000. Checks drawn by depositors numbered 1,500,000 and amounted to \$4,500,000.

⁴⁰ *Spokesman-Review*, Jan. 4, 1927.

⁴¹ The trust and estates department had 505 accounts and served about 1,500 people.

Besides, the bank handled 3,000,000 checks on other banks, the total being \$315,000,000. An average of 5,000 checks on banks in Spokane and 5,000 on banks outside of the city were presented daily.

Deposits in the savings department amounted to approximately \$9,000,000. More than 17,000 people carrying savings accounts or holding certificates of deposit received a total of \$243,000 in interest for the year.

The scope of the activity of other departments—that is, collection and escrows, bonds and investments, mortgage loans and property management, and the safe-deposit department⁴²—was large. They rendered a wide variety of services and handled very substantial amounts of money.

There was ample justification for the claim that it had been the policy of the officers and directors of the Old National Bank and Union Trust Company to provide “special services” to individuals and corporations and to anticipate banking needs by adding new departments as developments had warranted, so that the institution now furnished “practically every financial service.” They had grounds for looking forward with confidence to 1927 and hoping “to develop a greater business for the bank, as well as for the city of Spokane.”⁴³

By November 4, 1927, the current owners had been in control of the Old National Bank for a quarter of a century. In celebration of the “silver jubilee” of their institution, they held an elaborate “open house,” to which they invited the public at eight o’clock on the evening of November 6. The program was broadcast over station KGA. It included musical numbers, the presentation of pins denoting twenty-five years of service to D. W. Twohy, chairman of the board of directors, W. J. Kommers, vice-president and trust officer, and Frank C. Paine and W. J. Smithson, vice-presidents, by President W. D. Vincent, whose own record of service with the bank was thirty-six years, and the cutting and serving to the public of a huge birthday cake, which was a replica of the Old National Bank Building. In addition, employees conducted visitors on tours through the institution, where might be seen “living exhibits of banking methods of 25 years ago contrasted with those of today”

⁴² This department had succeeded in renting 2,500 of its 3,700 individual boxes.

⁴³ *Spokesman-Review*, Jan. 9, 1927.

and "demonstrations of coin counting machines, check indorsing and canceling machines and other recent inventions."

In connection with the celebration of the twenty-fifth anniversary of the buying of the Old National Bank by D. W. Twohy and his associates, officials pointed out that the "striking growth of Spokane from a town of 50,000 to the metropolis of this rich Inland Empire" had justified the faith of the purchasers of the bank, backed by the "investment of their funds in an institution that ranked fifth in size" (among Spokane banks apparently). That these men had fulfilled their pledge of providing to the people of the community "every assistance consistent with good banking" was shown by: (1) the growth of the institution's resources from \$1,000,000 to a "financial responsibility" of over \$53,000,000; (2) the increase of deposits from \$900,000 to over \$20,000,000; (3) the creation of the Union Trust Company and the "swift upbuilding of the largest trust business in the state"; and (4) the construction of "an outstanding bank and office building and the creation of complete facilities 'under one roof' for every banking need." They reaffirmed their faith in Spokane and solemnly pledged the "continuation of the sound policies and the helpful service that had made the 'Old National-Union Trust' exceptional in financial strength, in stability, and in usefulness to all the people." They extended thanks to friends and customers and invited them to continue to go forward with the Old National Bank and Union Trust Company.⁴⁴

At the end of the year, statistics which banks in Spokane and the surrounding countryside prepared in response to the call of the Comptroller of the Currency revealed that 1927 had been one of the most prosperous years in the history of the area. Deposits in Spokane banks, which now amounted to \$54,515,437, were not only 7.2 per cent higher than they had been at the end of the preceding year, but were also higher than they had ever been before except at the peak of prosperity soon after the end of World War I, at the close of December, 1919. Loans and discounts for these banks, which now totaled \$41,365,820 and showed a gain of 5.8 per cent for the year, were 1.4 per cent less than the increase in deposits.

As the leading bank in the area, the Old National Bank and Union Trust Company shared largely in its prosperity for the year.

⁴⁴ *Ibid.*, Nov. 5 and 6, 1927.

Its total assets had increased more than one million dollars. At the end of the year, it had deposits of \$20,415,240, whereas the combined total of deposits for the two next largest banks, the Exchange National Bank and the Spokane and Eastern Trust Company, was only \$22,849,320. It had loans and discounts of \$17,289,337, and its surplus was slightly more than one-half million dollars.⁴⁵

The large increase in deposits in the banks of Spokane reflected the "general prosperity" in the Inland Empire in the opinion of at least some bankers. During the preceding three years, wheat farmers had produced good crops, for which they had received "above normal prices." This had enabled them not only to pay their debts but also to accumulate large reserves, now lying idle in the banks, which made them potential customers for manufacturers and merchants. Trade, reportedly conducted on the "pay-as-you-go policy," was brisk. People were "liquidating," and, in addition, as their deposits in Spokane banks showed, the city had many people who were spending within their incomes and saving some money besides.

The Spokane banks now had from three to five million dollars "constantly out" in the "New York call market" and a like amount invested in "commercial paper" outside of the area. At least some of the Spokane bankers were of the opinion that the people of the city should invest money in industries with good records of earnings in the district itself.⁴⁶

The unusually high level of prosperity which Spokane and the Inland Empire had experienced in 1927 failed to prevail throughout 1928. The financial statement of the Old National Bank and Union Trust Company as of December 31, 1928, reflected the change in conditions. The year 1928 was not quite so prosperous for the banking department of the Old National as that of 1927 had been. There was a decline of almost \$100,000 in total assets, a decrease of slightly more than a quarter of a million in loans and discounts, and a loss of a little more than one-third of a million in deposits. However, although reserves had declined somewhat, there had been an increase in surplus and undivided profits. Moreover, the slight slump in business in the banking department was considerably more than offset by the increase of \$1,683,478 in

⁴⁵ *Ibid.*, Jan. 1 and 5, 1928.

⁴⁶ *Ibid.*, Jan. 5.

the trust department, in which the gain was almost double that of the preceding year.⁴⁷

Despite the slight slump in business for 1928 as a whole, business men generally continued to be optimistic concerning possibilities for the future. A writer in the "Monthly Business Digest," issued by the Old National Bank and Union Trust Company on December 31, 1928, observed that the outlook for the early weeks of 1929 was "more than encouraging, and could be called entirely satisfactory."⁴⁸

The last year of the decade of the twenties was one of widespread and significant activity in Spokane's financial circles. The Old National's part in the constructive aspects of these developments was outstanding. As Twohy, chairman of the board, pointed out in a brief statement incorporated in the financial statement of the Old National Bank and Union Trust Company for that year, 1929 was a year of "more than ordinary accomplishment," with "growth and progress in every direction."

Apparently, the failure of the Exchange National Bank to open its doors on January 18, 1929, was the occurrence which set in motion numerous "bank reorganizations and readjustments to meet new banking conditions" in Spokane.⁴⁹ Then the Spokane Clearing House Association took a hand in "a situation that demanded immediate attention." Twohy, chairman of the board of the Old National Bank and Union Trust Company, it seems, became the leading figure in effecting the changes necessary to restore public confidence.

The Old National Bank and Union Trust Company completed details of the purchase of the City National Bank about midnight on January 23. It required the joint efforts of certain officers and employees of both the City National and the Old National to accomplish the sizable task of transferring 9,000 accounts from one bank to the other overnight on January 24. The staff of the Old National and Union Trust Company labored until three o'clock

⁴⁷ *Ibid.*, Jan. 4, 1929.

⁴⁸ Quoted in the *Spokesman-Review*, Jan. 1, 1929.

⁴⁹ Records show one failure, the outright sale of several banks with consequent closing of their doors, mergers, the organizing of holding companies, and the "sale of minority or majority stock interests." There was a decrease from fourteen to eleven in the total number of banks exclusive of the Federal Land Bank, the Intermediate Credit Bank, and the Spokane Branch of the Federal Reserve Bank of San Francisco. *Spokesman-Review*, Oct. 27, 1929.

that morning to accomplish the preliminary work required before the opening of banks. Officers and tellers of the City National were present "in the Old National organization" to direct customers to the proper windows and to "make them acquainted with the Old National institution." A notable feature of the day, according to Kommers, a senior vice-president of the Old National Bank and Union Trust Company, was the absence of withdrawals, which was an evidence of the depositors' approval of the change.

So far as depositors of the City National Bank were concerned, therefore, the sale of that bank to the Old National Bank and Union Trust Company involved no break in either commercial banking connections or savings accounts, which were carried along without interruption even in interest. There was no requirement of action on their part, as their pass books were receipts for their accounts, which were now lodged with the Old National Bank and Union Trust Company. Of course, some time elapsed before that institution could obtain new signatures and before it could exchange its new pass books for the old ones in the hands of the depositors. The Old National Bank and Union Trust Company expected to move the City National Bank's safe-deposit vaults, which remained open for business at their former location, to the "spacious room for safe deposit vaults" of the Old National Bank Building within a short time.⁵⁰

The acquisition of the City National Bank increased the assets of the Old National Bank and Union Trust Company to more than \$25,000,000 and added further strength to it. The Old National hoped that its customers would find in this merger "a means toward easier fulfillment of their own plans and expectations."⁵¹ Although John W. Pole, Comptroller of the Currency, and some members of his staff had come to Spokane to take charge of the affairs of the Exchange National Bank, the Old National Bank lent assistance in its liquidation. It purchased enough of the Exchange National Bank's assets to make possible the payment of sixty cents on the dollar to depositors within a short time.⁵²

By the middle of March, Twohy, chairman of the board of the Old National Bank and Union Trust Company, was interest-

⁵⁰ On August 29, the Old National sold the City National Bank Building to the Wall Street Bank for \$100,000. *Spokesman-Review*, Oct. 27, 1929.

⁵¹ *Ibid.*, Jan. 25 and Oct. 27, 1929.

⁵² *Ibid.*, Oct. 27, 1929.

ing the Fidelity National Bank, "the pioneer bank of the city," in a merger. On June 29, 1929, the Old National Bank and the Union Trust Company and the Fidelity National approved plans for the creation of the First National Trust and Savings Bank. For this purpose these institutions made use of the charter of the Union Trust and Savings Bank, which had remained alive, although it had been inactive. There was an interchange of the stock of the Fidelity National Bank and that of the Union Trust Company. The new institution had a capital of \$500,000. Kommers, who had served as president of the Union Trust Company, became president of the new bank; and A. W. Lindsay, president of the Fidelity National Bank, became chairman of the board of directors.⁵³

Meanwhile, outside banking interests—such as the Marine Bancorporation and the "Dexter Horton affiliations" of Seattle, the Bank of Italy, and certain financial institutions of the Twin Cities—were considering entering Spokane and the Inland Empire. Knowledge of the fact that greater aggregations of capital with increasingly centralized control were the order of the day and awareness of the formulation of holding companies for banks both to the east and to the west, with the strong and imminent probability of their penetration of the Inland Empire, spurred the Old National Bank to act to strengthen its position as the leading financial institution of the Inland Empire.

Saturday, August 31, 1929, brought the announcement of the formation of the Old National Corporation with a capital of \$10,000,000. According to Twohy, the directors of the Old National Bank and Union Trust Company had had the creation of such an organization in process for several months, and they felt that recent developments in Spokane and the Inland Empire made this the opportune time "to extend a broadened banking and financial service to the community." The Old National Corporation, he said, would have a "capital structure so large and so strong" that it would be able to care for the Inland Empire's growing needs and "to throw every precaution and safeguard around the business which it conducts," thereby exercising a stabilizing influence upon the section's banking business.

Explaining his conception of need of such a holding corporation in Spokane, made up entirely of Inland Empire communities,

⁵³ *Twenty-third Annual Report of the Supervisor of Banking . . . , 1929*, p. 48; *Spokesman-Review*, Oct. 27, 1929.

Twohy said that, where the large holding groups invading the Inland Empire were strong, they were welcome "as bringing increased stability to our general financial condition." Their threat of "vigorous competition" made it necessary "for us to re-enforce ourselves to protect our stockholders and depositors throughout the Inland Empire." He went on to say:

We like to think that we have played some part in developing the Inland Empire as a whole—industrially, commercially, in mining, in lumbering, in agriculture and in those diversified activities of the Inland Empire. We have become a depository of large funds and our aim is to keep them employed safely in the development of the Inland Empire. We are convinced a large, stable holding corporation, owned at home, can continue to do this with even greater protection.

It was his idea that the Inland Empire offered

a unique situation whereby its people will fare better by being self-contained. The territory is large enough, is well diversified as to products. It is rich enough to finance its own requirements and better co-operation on the part of its people would make it reasonably independent of these 'foreign' companies.

Therefore the Old National Bank and Union Trust Company had taken the initiative in forming a new corporation and had invited

a number of the sound banks in this inter-mountain region to become affiliated in this plan, which would give to the Inland Empire an institution, big and sound, owned by home people and managed by a board of directors which includes the heads of a large number of producing and industrial institutions, which have been successful in their own endeavors and with names that are synonymous with safety and success.⁵⁴

The officers of the Old National Corporation were: W. J. C. Wakefield, chairman of the board of trustees; D. W. Twohy, president; A. E. Reid, vice-president and secretary; J. W. Bradley, vice-president; O. K. Moody, treasurer; and F. M. Graff, assistant secretary.⁵⁵ The executive committee consisted of T. J. Humbird, A. W. Witherspoon, J. P. McGoldrick, W. D. Vincent, and

⁵⁴ Shortly before the formation of the Old National Corporation, there was a rumor that the Old National Bank and Union Trust Company was one of the outside banks to be included in a huge merger recently formed in Seattle. D. W. Twohy denied the report and declared that the Old National "had no intention of joining any such group." *Spokesman-Review*, Sept. 17, 1929.

⁵⁵ With the exception of Reid and Graff, all were officers of the Old National Bank and Union Trust Company.

D. W. Twohy.⁵⁶ The board of trustees included all the members of the board of directors of the Old National Bank and Union Trust Company⁵⁷ and, in addition, the following: E. W. Anderson, president, Vermont Loan and Trust Company; John D. Ankeny, president, First National Bank, Walla Walla; Stanley A. Easton, vice-president and manager, Bunker Hill & Sullivan Mining & Concentration Co., Kellogg, Idaho; W. S. Gilbert, Hamblen & Gilbert; Percy P. Brittan, Investments; E. Greenough, Greenough Investment Co.; Sig Hofslund, general manager, Blackwell Lumber Company, Coeur d'Alene, Idaho; G. F. Jewett, general manager, Rutledge Timber Co., Coeur d'Alene, Idaho; A. W. Laird, general manager, Potlatch Lumber Co., Potlatch, Idaho; A. E. Larson, Investments, Yakima; Lewis P. Larsen, president, Pend Oreille Mines & Metals Co.; A. W. Lindsay, chairman, First National Trust & Savings Bank; James F. McCarty, president, Hecla Mining Co., Wallace, Idaho; Howard Paulsen, Estate of August Paulsen; Hugh Waddell, president, First National Bank of Colville; J. P. Weyerhauser, Jr., vice-president, Clearwater Timber Co., Lewiston, Idaho; and D. G. Winton, Winton Lumber Company.⁵⁸

The Old National Corporation's first step in establishing the "Old National" system of Inland Empire banks, a holding corporation, was to acquire control of the Old National Bank and Union Trust Company and the First National Trust and Savings Bank of Spokane. In order to insure "continuity in strong ownership and conservative management," according to Twohy, the shareholders of the Old National Bank purchased all of the voting stock, \$1,000,000, of the new corporation and "under a voting trust agreement" deposited it for a period of ten years with the

⁵⁶ Twohy was also an officer of the Old National Corporation; Vincent and Humbird were both officers and directors of the Old National Bank and Union Trust Company, and Witherspoon and McGoldrick were directors of it.

⁵⁷ These were T. J. Humbird, J. P. McGoldrick, E. T. McCullough, Austin Corbin, 2nd., T. F. Wren, E. P. Twohy, W. J. C. Wakefield, L. M. Davenport, J. L. Paine, C. A. Gonser, A. W. Witherspoon, W. J. Kommers, W. D. Vincent, O. K. Moody, and D. W. Twohy.

⁵⁸ "Financial Statement" of the Old National Bank and Union Trust Company, Spokane, and the Old National system of Inland Empire banks, March 27, 1930. Three men who were originally invited to serve on the board of trustees—M. W. Birkett, general manager, Washington Water Power Company, F. C. Paine, vice-president of the Old National Bank and Union Trust Company, and Frank M. Rothrock, "cattle and sheep"—apparently failed to accept the invitation. *Spokesman-Review*, Sept. 1, 1929.

executive committee of the Old National Corporation. The fact that the five members of this committee, who were directors of the Old National Bank and Union Trust Company and who either owned or directly represented a majority of its stock, had the right to elect the directors of the new concern, he said, not only guaranteed "its shareholders high standards, careful management and progressive methods" but also meant "that the growth and sound development of the Inland Empire" would "continue to be its goal." The exchange of stock was on the basis of eight and two-thirds shares of class B (that is, voting stock) of the Old National Corporation for one share of the stock of the Old National Bank and Union Trust Company. In addition to the ownership of the class B stock, the shareholders of the Old National received rights for the purchase of 25,000 shares of class A or nonvoting stock at \$18.50 a share. Later there was to be an offering of 25,000 shares of class A stock at \$20 per share to the public. This stock paid the same dividends and had the same pro rata ownership in the corporation's assets as did the class B stock and was entitled to full participation in the future earnings and benefits of the organization.⁵⁹

The officials of the Old National Corporation relied upon the Union Securities Company in acquiring control of banks outside of Spokane. Because the Union Securities Company was willing to dispose of its interest in its "string" of strong banks, which served agricultural, lumbering, mining, and horticultural interests in the Inland Empire, and concentrate its attention upon its other assets, the Old National Corporation had taken options on most of them. Negotiations with some other banks in the Inland Empire were also pending, and Twohy stated that eventually the Old National Corporation might have a group of twenty-five banks. All banks were to come into the system on the same terms, and the yardstick for determining the basis of transfers of stock was to be the same in all cases.

On October 1, auditors and accountants of the Old National Corporation were busily engaged in completing the work incident to the exchange of its stock for that of banks which were to become units of its organization. The managers of these outside banks

⁵⁹ The Old National Bank and Union Trust Company was to pay its regular dividend. Thereafter, beginning on January 1, 1930, it was to pay quarterly dividends. *Ibid.*, Sept. 1, 17, 24, and 29, 1929.

were to attend a meeting in Spokane on October 3 for the purpose of discussing and acting upon certain details involved in the completion of the organization of the corporation.

The following banks became members of the Old National Corporation:

Location	Bank	Date Established	Resources October 1, 1929
Coeur d'Alene, Idaho	First National Bank in Coeur d'Alene	1929	\$ 753,157
Connell, Washington	State Bank of Connell	1904	313,083
Creston, Washington	Creston State Bank	1902	223,566
Edwall, Washington	Bank of Edwall	1902	184,928
Grandview, Washington	First National Bank of Grandview	1919	385,189
Granger, Washington	Union Bank of Granger	1905	99,620
Harrington, Washington	Harrington State Bank	1904	334,483
Lewiston, Idaho	Idaho Trust Company of Lewiston	1902	729,281
Lewiston, Idaho	Lewiston National Bank	1883	2,243,068
Medical Lake, Washington	First National Bank of Medical Lake	1904	289,062
Moscow, Idaho	First National Bank of Moscow	1885	1,042,409
Odessa, Washington	First National Bank of Odessa	1911	533,007
Palouse, Washington	Security National Bank of Palouse	1889	709,932
Prosser, Washington	Prosser State Bank	1902	577,308
Ritzville, Washington	First National Bank of Ritzville	1891	917,183
Spangle, Washington	State Bank of Spangle	1902	210,983
Spirit Lake, Idaho	Bank of Spirit Lake	1907	232,134
Spokane, Washington	Old National Bank and Union Trust Company	1891	27,491,051
Spokane, Washington	First National Trust and Savings Bank	1907	5,373,877
Sprague, Washington	First National Bank of Sprague	1901	596,874
Sunnyside, Washington	Sunnyside National Bank	1902	513,043
Washtucna, Washington	First State Bank of Washtucna	1908	308,491
Total			\$44,061,729 ⁶⁰

⁶⁰ All of these banks except the Old National Bank and Union Trust Company, which had created the Union Securities Company, the First National Trust and Savings Bank of Spokane, and the First National Bank in Coeur d'Alene, Idaho, which in a sense apparently replaced the Farmers State Bank

Obviously the Old National Bank and Union Trust Company, whose officials had organized the Old National's system and whose resources made up \$27,491,051 of the system's total of \$44,061,729, was the key bank in the group. Though only three other banks (the First National Trust and Savings Bank of Spokane, with \$5,373,877;⁶¹ the Lewiston National Bank, with \$2,243,068, and the First National Bank of Moscow, with \$1,042,409) had resources of more than a million dollars, there was only one, the Union Bank of Granger, with \$99,620, which had resources of less than one hundred thousand dollars. The Old National Corporation's system included both state and national banks and both rural and urban banks in the two states of Washington and Idaho. All of them were institutions with substantial capital and resources, and all but a few had stood the test of the years, particularly that of the crisis in banking in the early twenties.

The public readily subscribed for the \$500,000 worth of Old National Corporation's class A or nonvoting stock at \$20 per share. With a large subscription in sight, the investment bankers handling its distribution met with Frank C. Paine, a vice-president of the Old National Bank and Union Trust Company, on the afternoon of October 4 to agree on allotments of the stock to various houses. They agreed to fill small orders for two to twelve shares and to cut the large orders for fifty or more shares. They also made allocations of the stock, amounting to about half of the quantities which bank managers had requested for the Old National Corporation's members outside of Spokane. They then declared the sale to be at an end.⁶²

of Nez Perce, Idaho, were members of the Union Securities Company at the time of its dissolution in 1929.

Inasmuch as the First National Bank of Odessa, Washington, the First National Bank of Grandview, Washington, and the First National Bank in Coeur d'Alene, Idaho, were established after the organization of the Union Securities Company's chain in 1909, they apparently entered the group some time after its organization or were institutions which were originally in the group but whose titles had changed in the course of internal reorganizations. *Ibid.*, Oct. 2, 1929.

⁶¹ The Old National Bank and Union Trust Company really controlled this institution, as D. W. Twohy was the central figure in effecting the merger which brought it into existence.

⁶² It was expected that this stock would pay at least 5 per cent and, in addition, it was to share in the institution's profits in excess of that amount. In the event of the sale of the Old National Corporation's entire assets, there was to be an additional dividend of \$2 a share on it. *Spokesman-Review*, Oct. 5, 1929.

An extremely gratifying feature of the public's ready acceptance of this stock was the large demand of small subscribers. The public's enthusiastic reception of the offering indicated that the economy was "ready to finance its own enterprises" and had "faith in its home community."⁶³

This elated the "Old National interests," which had brought the "advantages and benefits of group banking" to Spokane and the Inland Empire, because it vindicated their belief that the Inland Empire was "large enough, financially strong enough and sufficiently diversified to finance its own requirements and be independent of outside interests." Thus the original "Old National interests"—heretofore "restricted to a small number of stockholders"⁶⁴—though retaining effective control of affairs through the device of pooling under a trust agreement the class B or voting stock in the hands of an executive committee, which represented the controlling interest in the Old National Bank and Union Trust Company, had succeeded in creating a group-banking system with a widely distributed ownership of nonvoting stock.

In its advertising, the Old National Corporation claimed that group banking as exemplified in its organization brought "to each bank in the group—large or small, rural or urban—the strength, completeness of service and operating efficiency of the big metropolitan bank." Besides making possible greater economies and better management, it greatly strengthened the position of each member bank not only because of the advice and assistance of the central bank but also because of the augmented resources and increased stability of the whole through the wide diversity of resources as to both territory and business activity.

Although member banks remained "local banks, staffed by local men familiar with local conditions," they had also become part of a system which gave them the advantage of the "supervision of a staff of specialists at one central point," who were qualified by wider knowledge and by experience and ability to advise them "in a spirit of cooperation." This advice and aid included "all

⁶³ This stock was offered only for the purpose of investment. Twohy believed that there would be no speculative increase in it and that whatever gains accrued would come with the development of business. *Ibid.*, Sept. 29 and Oct. 5, 1929.

⁶⁴ *Ibid.*, Sept. 1, 1929.

phases of modern banking practice, such as credits, trust matters, new business and miscellaneous services." Each member bank was "self-contained with its own independent capital, its own board of directors and officers," but behind each was "a reserve in excess of the resources of all the banks in the group."

The Old National Corporation, which had "no connection with any bank or banks located outside of the Inland Empire," took its place in "the banking systems of the country and in the community life of the Inland Empire with a deep sense of its responsibility." It dedicated itself "unreservedly to greater protection for the people's funds and the utmost in service in every department of banking."⁶⁵

As Twohy, chairman of the Old National's board of directors, declared in a statement to stockholders in the bank's "Financial Statement" of December 31, 1929, the year 1929 had indeed been one of "more than ordinary accomplishment for the Old National Bank and Union Trust Company, a year of growth and progress in every direction."⁶⁶ It had, of course, been at the center of a number of financial reorganizations. At the same time its own affairs had prospered. Its loans and discounts had increased over two and one-half million, its deposits had risen more than three and one-half million, and its resources had grown a little more than three and one-half million. The Old National Bank and Union Trust Company's total financial responsibility, which included holdings of the trust department, was \$63,000,000.⁶⁷

VI. LAST YEARS OF TWOHY'S ACTIVE CONTROL (1929-33).

Insofar as the state of Washington was concerned, there were apparently few immediate repercussions of the disastrous crash in the stock market in New York which began on "Black Thursday"

⁶⁵ *Ibid.*, Oct. 6 and 20, 1929; "Financial Statement," Dec. 31, 1929. The Old National Bank and Union Trust Company was apparently very much pleased with its connection with the Old National Corporation.

⁶⁶ Although Twohy did not say so, he might have said that he himself had been the leading actor in this dramatic development. Beginning in January, when his "appreciation of the need of definite steps immediately to clarify the financial situation" in Spokane had led to the Old National's acquisition of the City National Bank and the purchase of a substantial portion of the assets of the defunct Exchange National Bank and continuing through the Old National Bank and Union Trust Company's organization of the Old National Corporation in the early autumn, he acted vigorously to carry out his philosophy to "go a little farther, do a little bit more and do it a little bit better than would seem necessary." *Spokesman-Review*, Jan. 30, 1929.

⁶⁷ See Appendix B.

—that is, October 24, 1929. At the close of the year, total resources in all banks of the state were higher than they had been before. Both deposits and loans and discounts were higher than they had ever been in the history of the state. Though banking capital was also at the highest point in the state's history, the number of banking institutions was about 15 per cent below its peak. The year 1930, which seemed to open auspiciously, did not change this picture much. Total resources of all banks rose slightly, but both deposits and loans and discounts fell slightly. Although there was a small increase in banking capital, there was a small decrease in the total number of banks.¹

Because banking in the state of Washington seemingly was stable at the beginning of the decade of the thirties,² it is not surprising that both the Old National Bank and Union Trust Company and the newly organized Old National Corporation were apparently prospering. The Old National Corporation, whose resources had increased more than two and one-quarter million—that is, to \$46,320,953—and whose “total responsibility” had reached \$83,000,000, by June 30, 1930, did very well indeed during the first half of the year. During the same period, the resources of the Old National itself increased a little more than half a million—that is, to \$27,677,824.³ The Old National Bank and Union Trust Company included brief remarks on “Confidence” in its financial statement of September 24, 1930, which included the following statement: “The Old National is strong enough to protect your funds, large enough to serve you in any banking capacity and interested enough to know you and take a genuine interest in your welfare.” Statistics, meanwhile, showed a decline of a little more than a million dollars in the resources of the institution by that time.

The response to the Comptroller's last call for reports in 1930 showed that deposits in the banks of Spokane as of December 31 were higher than they had been in September. Though the deposits of the Old National showed a decrease of somewhat more than \$2,000,000 by the close of the year, Twohy felt that on the basis of

¹ Neil Roy Knight, *History of Banking in Washington* (unpublished Ph.D. Thesis, University of Washington, 1935), Table XXV.

² Preston, *op. cit.*, p. 313.

³ “Financial Statements” of the Old National Bank and Union Trust Company and the “Old National Corporation's” system of Inland Empire Banks.

the new bank statements Spokane was to be congratulated.⁴ Meanwhile, the Old National maintained an optimistic outlook in its advertising. For example, it declared, "Through more than a quarter of a century of steady growth this bank has prospered, not only because of the accumulation of great resources, but also because it has won and held the loyalty of its patrons, because of its ability to serve well, its genuine desire to understand its patrons and their interests."⁵

Although 1931 was a difficult year for the Old National Bank and Union Trust Company, as it was for other banks in Spokane and the Inland Empire and throughout the country, the institution came through it in good condition. Although its deposits declined more than two and one-half million, there was a very substantial increase in its reserves. Loans and discounts went down over one and three-quarter million. Total resources in the banking department decreased by slightly more than one and one-half million. An increase of approximately one million in the trust department, however, partially offset this decrease in the banking department, so that there was a decline of only an amount close to one million—that is, from \$64,000,000 to \$63,000,000 in the Old National's "Total Responsibility."

Meanwhile, officials of the Old National emphasized its leadership, strength, and service over a period of forty years. "The Old National policy of 'Greater Protection and Exceptional Service,'" they said, had won for it 36,000 customers, one out of every four people in metropolitan Spokane. They were grateful for this expression of preference and desired to give "every depositor the advantage not only of exceptional strength but also of sincere and helpful service." At the close of the year, they pointed out that the policies of forty years had had as their basis "the principle that the protection of the depositor comes before all else" and pledged "the community and every depositor a continuation of these policies, plus the most sincere and helpful type of service in every department."⁶

Bankers in Spokane were agreed, largely on the basis of faith, it seems, that 1932 would be "a year of promise and of business." They felt that "more favorable factors" existed at the beginning of

⁴ *Ibid.*, Jan. 4, 1931.

⁵ *Spokesman-Review*, Dec. 21, 1930.

⁶ "Financial Statements," for March 25, June 30, Sept. 29, and Dec. 31, 1931.

1932 than had appeared at the beginning of 1931. President Vincent of the Old National Bank and Union Trust Company said that progress in America had continued since the days of the pioneers and that the "forward urge" still "urges in the heart of the people." The "constructive forces on the 1932 economic highway" were more impressive than those of the preceding year. There was, he declared, "a saner business idea of what constitutes the foundation for enduring prosperity." Spokane was more fortunate than average cities, because there had been "no inflation here from which to fall with all its distressing effects." Therefore it was in a position for "speedy reflection of trade improvement throughout the country."⁷

By mid-year, 1932, the Old National Bank and Union Trust Company, whose "Total Responsibility" had declined to \$59,000,000, still "supremely confident of the future," was inviting "forward-looking business firms and individuals to progress with this pioneer bank." During forty years of service, "through good times and bad," the Old National had aimed to be "an active force for progress in the commercial and financial life of Spokane and the Inland Empire." It had used its resources, credit, and influence "to safeguard and protect its depositors and to encourage production, trade and industry" in this area. "Qualified in strength, size, experience and facilities," the Old National still stressed its ability "to render a helpful and dependable banking, savings and trust service."

As the second half of the year wore on, the Old National, which had seen "America pass through troubled times and periods of pleasant prosperity, and Spokane from a pioneer settlement to an important business center," maintained its "abiding faith, a genuine confidence in our business structure and its future." It pledged itself to be of continued "helpfulness to the people of Spokane and the Inland Empire."⁸

The close of 1932 found the business of the Old National at the lowest point since World War I. Loans and discounts were down to a little less than nine and one-half million. Deposits were only slightly over thirteen million. Total resources amounted to approximately nineteen and one-quarter million, and "Total Responsibility" had shrunk to a little more than fifty-five million.⁹

⁷ *Spokesman-Review*, Jan. 3, 1932.

⁸ "Financial Statements," June 30 and Sept. 30, 1932.

⁹ *Spokesman-Review*, Jan. 5, 1933. Also see Appendix B.

Meanwhile, as financial conditions continued to deteriorate and an increasing number of banks failed, Governor Clarence D. Martin, in his inaugural message on January 11, 1933, called the attention of the legislature to "a detailed proposal for a new banking code" which was to come before it. He urged the legislators to equip the measure with "proper safeguards," which, among other things, would include restrictions on loans to directors and regulations preventing speculation with depositors' money.

Governor Martin also pointed out the fact that the failures of banks had deprived numerous communities of convenient banking service. He believed that every trading center was entitled to banking facilities and said that branch banking as a possible means of providing them merited the attention of the legislature. Branch banking would encourage parent institutions "to reach out to establish facilities in outlying communities." Moreover, the flexibility of the system would permit "the timely shifting of funds and credit and would mean more confidence and greater security in times of economic unrest or distress."¹⁰

Within the week, the stockholders of the Old National Corporation, the large, closely-knit, home-owned group-banking system of the Inland Empire which was organized with the Old National Bank and Union Trust Company as the key concern in 1929, held their annual meeting. They reelected officers and trustees. They approved the action of the trustees, who had reduced the capital from \$5,796,628 to \$3,000,000, set up reserves of \$900,000, and increased the undivided profits account by about \$280,000. Reports showed that 1,888 shareholders held a total of 293,240 shares of stock. Directors, officers, and employees of the corporation or its bank affiliates held 125,503 shares or 43 per cent of it. The stock's book value, "exclusive of the reserve set up," was \$11.25 per share. Earnings per share on the issued stock of the corporation "on an inventory basis" were sixty-three cents in 1932, as compared with seventy-three cents in 1931.

In his report to the stockholders, President Twohy characterized the year 1932 as "a period of liquidation, readjustment and lowered business volume," and expressed the hope that 1933 would be a year for the establishment of "sound foundations" for future progress. He found it gratifying that the "protective policies in-

¹⁰ *Spokesman-Review*, Jan. 12, 1933.

augured three years ago, when this corporation took over the administration of a group of affiliated banking units, have proved sound; and have enabled these banks to continue in a strong position, and be an active force in stabilizing the commercial and financial life of their respective communities." The Old National Corporation had paid limited dividends because of its policy of having each institution "retain its earnings to meet losses, build reserves and conserve resources." He said that the board of trustees, following "the plan adopted by a large number of like corporations throughout the United States, including some of America's largest banks," had "carefully considered and authorized the modification of our capital structure, whereby substantial reserves are set up for the better protection of depositors and stockholders alike."¹¹

Not long afterward, the legislature, which had concerned itself with the plight of banks and banking in the state to which Governor Martin had called its attention in his inaugural message, took action in the matter. On February 27, the governor signed the following measure:

An Act, relating to banks, banking, trust companies and trust business, prohibiting corporate security affiliates, providing for segregated savings in commercial banks, restricting loans to directors, officers and employees of banks, amending sections . . . of chapter 1 of Title 18 of Remington's compiled Statutes . . . and adding new sections to such chapter . . . , prescribing penalties and declaring an emergency.

Section 3222 was amended to provide that no bank or trust company should "establish any branch except in accordance with the provisions of this act." These provisions, incorporated in section 3231-1, added to Section 5, Chapter 1, were as follows:

A bank or trust company having a paid-in capital of not less than five hundred thousand dollars may, with the approval of the supervisor of banking, establish and operate branches in any city or town within the state. A bank or trust company having a paid-in capital of not less than two hundred thousand dollars may, with the approval of the supervisor of banking, establish and operate branches within the limits of the county in which its principal place of business is located.

The aggregate paid-in capital stock of every bank or trust company operating branches shall at no time be less than the aggregate of the minimum capital required by law for the establishment of an equal number of banks or trust companies in the cities or towns wherein the principal place of business of such bank or trust company and its branches are located.

¹¹ *Ibid.*, Jan. 18, 1933.

No bank or trust company shall establish or operate any branch in any city or town outside the city or town in which its principal place of business is located in which any bank, trust company or national banking association regularly transacts a banking or trust business except by taking over or acquiring an existing bank, trust company or national banking association operating in such city or town.¹²

Apparently the legislature shared Governor Martin's belief that the state should prohibit certain banking practices which had proved detrimental to the interests of depositors. It also seemed to concur in his view that branch banking might well serve to alleviate the unfortunate plight of communities which were without banking facilities as a result of the failure of unit banks. In permitting branch banking for the first time in twenty-four years, however, it established certain safeguards against possible abuses. It limited state-wide branch banking to banks and trust companies with a capital of not less than \$500,000 and restricted county-wide branch banking to those with capital of not less than \$200,000. Furthermore, the aggregate paid-in capital of an institution which operated branches had to be at least equal to the minimum capital required for an equal number of unit banks or trust companies. Permission of the supervisor of banking was necessary for the establishment of branch-banking systems. Finally, the legislature prohibited banks or trust companies from establishing branches outside of the towns or cities in which they were located—in competition with existing institutions.

At the same time that the legislature legalized branch banking, however, it restricted group or chain banking. It provided that:

A corporation or association organized under the laws of this state, or licensed to transact business in the state, shall not hereafter acquire any shares of stock of any bank, trust company, or national banking association which, in the aggregate, enable it to own, hold or control more than twenty-five per centum of the capital stock of such bank, trust company or national banking association: *Provided however*, That the foregoing restriction shall not apply as to any legal commitments existing when this act takes effect.¹³

Though this measure did not affect the existing status of the Old National Corporation's system of Inland Empire banks, it did preclude the possibility of expanding it. It afforded, of course, an opportunity for converting the system from group banking to

¹² *Session Laws of the State of Washington*, 23rd Session (Olympia, Wash.: O. H. Olson, Public Printer, 1933), Chap. 42, pp. 221-47.

¹³ *Ibid.*

branch banking.¹⁴ However, the deepening depression in Spokane and the Inland Empire, as in the country at large, made it obviously impossible to consider such a change at this juncture.

Nevertheless, the officials of the Old National Bank and Union Trust Company, whose advertising in connection with their institution's financial statement as of December 31, 1932, had asserted that "Because thousands of people, through successive generations" had found "the 'Old National' always reliable and friendly," it had become an outstanding financial institution of the Northwest and had declared that the "Old National" looked forward during 1933 to "even greater opportunities to serve its friends and customers," did continue to maintain an optimistic outlook. In their advertising, they urged that the people, like the nation, should have "a new administration" and turn from pessimism and discouragement to action indicative of faith in themselves and in the United States. "Improvement in the National situation," they said, would find "the 'Old National' ready, as always, to play an increasingly important part in the sound advancement of Spokane and its citizens."¹⁵

Meanwhile, the governor and legislature continued their attempts to enact laws which would make possible the stabilization of the financial situation in the state. Two such measures became law on the first two days of March.

Governor Clarence D. Martin signed a Bank Stabilization Act on March 1, 1933, section 2 of which provided for the supervisor of banking to authorize a bank "to postpone, for a period of ninety days or for such further period or periods as he may deem expedient, the payment of such proportions or amounts of the demands of its depositors from time to time as he may deem necessary." Section 10 of the act defined the word "bank" as "including savings banks, mutual savings banks and trust companies, . . ."¹⁶

¹⁴ The Old National Bank had not turned to group banking until after the legislature had prohibited branch banking in 1909. Above, p. 105.

¹⁵ *Spokesman-Review*, Jan. 5 and Feb. 28, 1933.

¹⁶ *Session Laws of the State of Washington*, 23rd Session, pp. 278-81. Although this measure was referred to as the "Bank Stabilization Act," it was summarized as: "An Act relating to banks and banking, the stabilization and reorganization of banks, defining banks, extending the powers of the supervisor of banking, repealing chapter 44 of the Laws of 1933, and declaring an emergency." The Governor had previously approved the rather controversial measure, Chap. 44, entitled "Banks and Banking," on February 25, 1933, after having vetoed sections 5, 10, 12, and 14 of it.

A bill signed by Governor Martin on March 2, 1933, which the legislature had rushed through, authorized him to declare a bank holiday. In accordance therewith, he proclaimed a three-day banking and financial holiday for the state of Washington, effective at midnight, Thursday, March 2, and ending at midnight Monday, March 6. He explained that the holiday was not mandatory, but that by virtue of it, individuals, business houses, and financial institutions needing a breathing spell in which to meet pressure would have an opportunity to get one. The governor did not elaborate on his proclamation. Nevertheless, it was understood that a number of banks throughout the state had been subject to heavy recent withdrawals. The holiday, it was held, would have the effect of checking possible runs on banks until the situation was clarified.¹⁷

Only a few hours after the governor had signed the Bank Stabilization Act, officials of the Old National Bank and Union Trust Company and the First National Trust and Savings Bank decided to take advantage of this measure to limit the withdrawal of funds from their institutions. The desire for "equal preservation of the funds of all depositors" apparently inspired the action of the directorates of the two firms. It was the general impression that a withdrawal of 5 per cent of deposits would be permissible in a few days, as that had been the custom in other states where bank holidays or stabilization measures were in effect. Meanwhile, the Old National Bank and Union Trust Company and the First National Trust and Savings Bank kept new deposits separate from other funds and put them in trust with the Federal Reserve Bank. They would not pay checks not cashed before they began operating under the Stabilization Act except from new funds which the drawers of the checks deposited.¹⁸ The Old National continued to

¹⁷ *Session Laws of the State of Washington*, 23rd Session, p. 289. Governor Martin's declaration of a banking holiday came after a lengthy conference with bankers and officials of the Seattle Clearing House Association. The Governor said that the action of governors in some neighboring states in having proclaimed such holidays had had an adverse effect upon Washington's financial structure and necessitated "some prompt action for the protection of the people of the state." *Spokesman-Review*, March, 3, 1933.

¹⁸ These banks were operating under both the State Stabilization Act and the Couzens Act. The Couzens Act authorized the Comptroller of the Currency temporarily "to exercise with respect to national banks any powers which state officials might have with respect to state banks." Walter Wyatt, "Federal Banking Legislation," *Banking Studies* (Washington: Members of the Staff, Board of Governors of the Federal Reserve System, Federal Reserve System, 1941), p. 54.

operate its safe-deposit vaults and its insurance and trust departments in the usual way.

The country banks in the Old National's system located in Washington also came under the Bank Stabilization Act. Those of the system located in Idaho operated under local holidays (fixed by the government authorities of the localities in which the affiliated banks of that state were situated).

Though crowds filled the lobbies of both the Old National Bank and Union Trust Company and the First National Trust and Savings Bank on the morning of March 2, when these institutions began prohibiting withdrawal of deposits, they were orderly. Many people called at other banks in the city also but departed quietly when they found business going on in normal fashion. On the following morning, March 3, however, there was a "fright inspired bank run," which had virtually ceased by noon. This was probably attributable to the fact that three "strong institutions"—the Spokane and Eastern Trust Company, the Washington Trust Company, and the Security State Bank—were "open for business as usual and ready to pay all demands" despite the existence of the bank holiday, which the governor had proclaimed late Thursday, March 2.¹⁹

Vincent, president of the Old National Bank and Union Trust Company, and Kommers, president of the First National Trust and Savings Bank, issued a joint statement that it was certainly gratifying to observe the fine spirit in which the public, and their depositors in particular, responded to the action of their board of directors in bringing the Old National and First National under the new Bank Stabilization Act. They were especially appreciative of the many expressions of confidence and cooperation that had come from all sides, pronouncing the action "a courageous, protective step." They pointed out that the great number of new accounts that were opened on March 2 under the Stabilization Act reflected the fact that the expressions of confidence were genuine. They declared in conclusion that they were confident that their action in operating their institutions under the Bank Stabilization Act was a protection to their loyal depositors in the face of the "wave of fear and panic" that was spreading throughout the land.²⁰

¹⁹ *Spokane Daily Chronicle*, March 14 and 23, 1933.

²⁰ *Spokesman-Review*, March 3, 1933.

The Old National Bank and Union Trust Company and the First National Trust and Savings Bank continued their new pattern of operation on March 4. Officials said that there were many deposits under the new plan. They had still received no information from the Comptroller of the Currency concerning the resumption of payments from old deposits and really expected none until the new Comptroller had taken office and sized up both the national and local situations.

On March 5, both the Old National and the First National posted statements that they would make payments of withdrawals as soon as federal authorities fixed the percentages allowed. Officials reported an "encouraging growth" in new deposits and said that "checking operations" against them were increasing.

Banking operations in Spokane, and elsewhere in the nation, came virtually to a standstill on March 6 in conformity with the national banking holiday proclaimed by President Franklin D. Roosevelt. This state of affairs was to continue at least through Thursday, March 9. Spokane bankers praised the President for the energetic way in which he met the banking crisis. Twohy, representing the Old National Bank and Union Trust Company and First National Trust and Savings Bank, was "delighted with the President's proclamation," which, he said, "should have the effect of restoring confidence and facilitate the handling of business."

On March 9, the day marking the end of the banking holiday as originally proclaimed, the banking situation in Spokane was about the same as it had been earlier except for "a greater spirit of hopefulness" created by the President's message to Congress. On that date, the President issued a proclamation extending the banking holiday to March 13, and banks in Spokane, as elsewhere, were able to conduct business only under rules and regulations issued by the Secretary of the Treasury under that proclamation.²¹

The Emergency Banking Act passed by Congress and signed by the President on March 9 provided a plan for the reopening of banks.²² Both the Old National Bank and Union Trust Company and the First National Trust and Savings Bank, together with the other banks in the Old National Corporation, which had

²¹ *Ibid.*, March 4, 6, and 11, 1933; *Spokane Daily Chronicle*, March 9, 1933.

²² *United States Statutes at Large*, XLVIII, Part 1, Public Acts and Resolutions, Chap. 1, Title II (Washington: United States Government Printing Office, 1934), pp. 2-5.

been operating under the state Bank Stabilization Act and the Couzens Act, of course, came under the operation of this federal act.

The First National Trust and Savings Bank was one of the five banks in Spokane to open on an unrestricted basis on March 14, after the expiration of the banking holiday. There was a heavy flow of funds into these banks, and there were surprisingly few withdrawals. Joseph W. Bailey, executive vice-president of the First National, said that one woman had asked to withdraw her entire account, but that most other customers had made deposits rather than withdrawals. A number of people had opened new accounts with the bank. Many of the bank's friends came in to offer congratulations on its reopening.²³

The Old National Bank and Union Trust Company received authorization to continue operating on the restricted basis under which it had been doing business since March 2, when it had gone under the state Bank Stabilization Act and the Couzens Act. At the same time, the United States Treasury Department, through the Comptroller of the Currency, announced the appointment of A. W. Witherspoon, a member of the Old National's board of directors and its counsel, as conservator of the institution. The appointment of a conservator under the federal Emergency Banking Act meant merely, as the name implied, that the conservator was to conserve the assets of the bank for the benefit of depositors with payment to all on a like basis.

Bankers correctly regarded the appointment of a conservator for the Old National Bank and Trust Company as a preliminary step to its reorganization under the liberal and broad provisions of the Emergency National Bank Act of March 9, 1933. An examination of the bank was under way even before the conservator was appointed—in order to expedite the steps of stabilization under his direction. The conservator's recommendations to the Comptroller of the Currency would determine the successive steps of the bank under the Emergency Banking Act.

The Emergency Banking Act provided that "while such banks are in the hands of the conservator, appointed by the Comptroller of the Currency, the Comptroller might require the conservator to set aside and make available for withdrawal by depositors and

²³ *Spokane Daily Chronicle*, March 14, 1933; *Spokesman-Review*, March 15, 1933.

payment to other creditors, on a ratable basis, such accounts as in the opinion of the Comptroller may safely be used for this purpose." This provision had no application, however, to new deposits under the special trust funds, which were kept apart from the bank's funds as before stabilization. Furthermore, the trust funds were subject to total withdrawal at any time.

The Act further provided that a plan for reorganization should become effective only when the Comptroller was satisfied that it was fair and equitable to all depositors, creditors, and stockholders, and that it was in the public interest. The Comptroller was then to approve the plan with such additions, limitations, and restrictions as he might impose.²⁴

Officials of the Old National Bank and Union Trust Company were directing attention to an item by the Associated Press from Washington, D. C., in which Secretary of the Treasury Woodin said that the appointment of conservators for "banks of high repute" did not indicate necessarily that they were in trouble. The Secretary of the Treasury explained that there were many complications—some of them concerning affiliated enterprises—which made it impractical for banks to open fully. He pointed out that conservators, in many instances, were necessary for the purpose of insuring that the banks would be put in what he called "apple pie" order, pending reorganization or other necessary adjustments. He stressed the fact that the Emergency, or Conservation Act, provided that the conservator would be in complete charge of the bank and its affairs under the direction of the Comptroller of the Currency.²⁵

Meanwhile, in accordance with President Roosevelt's plan for the gradual reopening of the nation's banks, country banks were due to reopen on March 15. Two of the Old National Corporation's twenty country banks in the Inland Empire, the First National Bank of Grandview and the First National Bank of Sprague, reopened on that date. A third, the American Trust Company of

²⁴ *Spokesman-Review*, March 15, 1933.

²⁵ *Ibid.* The functions of the conservator were somewhat similar to those of a receiver, but the law did not require him to place a bank in liquidation. Where reorganization was necessary, the conservator was allowed to follow a simplified procedure which required the approval of a smaller proportion of the depositors and stockholders than older methods had necessitated. Federal Reserve Board, *Annual Report, 1933* (Washington: Board of Governors of the Federal Reserve System, 1933), pp. 262-63.

Couer d'Alene, Idaho, reopened on March 21.²⁶ Officials of the Old National Corporation expected its other banks to reopen "as examinations were made in accord with the treasury department orders."²⁷

Auditors continued to work at full speed in making a thorough examination of the Old National Bank and Union Trust Company under the supervision of A. W. Witherspoon, its conservator. It was understood that plans for reorganizing and reopening the institution as soon as possible were in progress. There was a possibility that authorities might release a portion of the old deposits during the course of the reorganization. The bank was still accepting new deposit trust account funds, which were always available in whole or in part and which many business concerns were using to carry on their normal activities. On March 21, Witherspoon reported that the audit of the Old National was being carried on with all possible expedition. He said that he would hurry the auditors' report and his own recommendations to the Comptroller of the Currency for action just as much as possible.²⁸

On March 31, 1933, Twohy, chairman of the board of directors of the Old National Bank and Union Trust Company, in a letter to the depositors of that institution, gave his version of the events which had led up to the bank's going under the Bank Stabilization Act, explained the nature and scope of the bank's activity under its conservator, and reported the progress that was being made in connection with the program for getting the bank back into normal operation. He wrote as follows:

You are naturally interested in the affairs of this bank, and while we are yet unable to give you definite information as to the full resumption of business, we are glad to report progress. The patience and loyalty of our depositors is most heartening, and we can assure you that the safety of funds entrusted to us by those depositors has been our first consideration at all times.

It must have been apparent to everybody that the banking situation throughout the country was approaching a crisis for several months. The newspapers, radio programs and street gossip were filled with disturbing statements about the banks, and public confidence was seriously undermined.

²⁶ The fact that the Old National Bank and Union Trust Company was in the hands of a conservator complicated the problem of reopening many banks in northern Idaho, because part of their funds were in it. *Spokesman-Review*, March 17, 1933. This was also probably true of some of the banks in eastern Washington.

²⁷ *Spokane Daily Chronicle*, March 15 and 21, 1933.

²⁸ *Ibid.*, March 16 and 21, 1933; *Spokesman-Review*, March 22, 1933.

The volume of deposits was shrinking, both because of legitimate needs of depositors in a period of economic stress, and because of fear, which resulted in withdrawal of deposits for hoarding.

All of this finally culminated in the series of holidays declared by communities and states, until the president found it necessary to issue his bank holiday proclamation for the nation immediately after his inauguration on March 4.

The emergency bank act was passed by Congress, March 9. This provides that if in the judgment of the Comptroller of the Currency certain banks require some readjustment in their capital structure before receiving licenses for reopening, that conservators be appointed for them, under whose direction the changes would be made and the banks rehabilitated and reopened for business.

March 14, A. W. Witherspoon was appointed conservator of the Old National Bank and Union Trust Company, with authority to handle its affairs under direction of the Comptroller of Currency. All assets will be conserved for the primary benefit of depositors and all will be treated alike, without preference of any kind.

As was made plain in the legislation and later statements by the president and secretary of the treasury, the placing of a bank in the hands of a conservator does not mean that it is closed but for the present is unable to make loans or permit withdrawals from balances on the books of the bank at the time it went under the stabilization act or on a holiday.

It permits a bank to accept and pay out deposits on special trust accounts, handle and clear checks and otherwise serve its customers through the trust, safe deposit, escrow, and collection departments, and assist as far as possible with the normal conduct of the business of the community.

During the disturbed period of last year, and particularly following the closing of some of the Spokane banks in April and May, deposits in the Old National Bank shrunk [sic] from \$18,000,000 to about \$11,000,000.

It was impossible to shrink loans correspondingly at a period when commodity prices were at the lowest in modern history, and all property values cut in two, without working great hardship on the producers of the region and those who were conducting the business of the community.

This bank has always been a constructive force and has rendered assistance to farmers, stockmen, manufacturers, and business institutions even at times when it meant sacrifice on the part of the bank. Drastic liquidations of customers' papers has always been contrary to its policies.

This period of depression has been more severe and lasted longer than any one could foresee. There is no reason to suppose, however, that history will not repeat itself and business again improve, with a rising price level, which will permit of orderly liquidation of these loans.

Furthermore, the passage of farm legislation by Congress will undoubtedly restore the buying power of the farmer, stimulate business and soon make available funds tied up in what are now considered slow loans.

In addition to its loans the bank also has considerable investment in high-grade bonds, which due to the general situation, are selling far below

their intrinsic value, and it does not seem the part of good business to sacrifice them on a market that will unquestionably show reasonable recovery.

A thorough examination of the bank is being made under the direction of the Comptroller of the Currency and the Conservator, which when completed will indicate the necessary steps to be taken to insure the cooperation of the depositors, and shareholders, whereby the Old National Bank and Union Trust Company may resume its normal activities and do its full share in serving the people of Spokane and the Inland Empire.²⁹

As this letter indicated, the chairman of the board of directors of the Old National Bank and Union Trust Company, therefore, was now thoroughly aware of the tremendous scope of the drastic economic upheaval which had taken place not only in Spokane and the Inland Empire but also throughout the nation and the other countries of the world. He realized that—because of the prolonged duration, the extreme severity, and the broad extent of the depression, and the very low price level which it had occasioned—the great shrinkage of the deposits of his bank had made it impossible to reduce the loans sufficiently to correspond with the decline of the deposits without exacerbating further the already depressed business activities of the area. At this point, he was apparently unaware of any likelihood of changes in personnel and in policy in connection with the reorganizing and reopening of the bank.

As a matter of course, there was much speculation in Spokane and the Inland Empire as to the date and conditions of the reopening of the Old National Bank and Union Trust Company—an institution which, for a little over a third of a century, had pointed the way for much of the area's development. Observers thought that they saw the "general plan" for its reorganization and reopening, when, on March 25, the Reconstruction Finance Corporation announced the rules under which it would assist banks to reorganize and resume operations through the purchase of the "newly created preferred stock of the institutions." These rules involved: (1) the thorough investigation of the bank's assets by bank examiners; (2) formulation of a plan for the issuance of preferred stock in sufficient amount "to take up any frozen or slow assets"; (3) the sale of this preferred stock to the Reconstruction Finance Corporation and perhaps to stockholders and depositors; and (4) the reopening of the bank "in fully liquid and solvent condition, with large cash reserves, bonds and securities at market values and

²⁹ *Spokesman-Review*, April 1, 1933.

notes and commercial paper at current sound appraised values." Witherspoon, the conservator of the Old National Bank and Union Trust Company, said that he was glad to know that the Reconstruction Finance Corporation had set up its rules, but he declined to comment concerning future action for the Old National Bank and Union Trust Company.³⁰

By the last of April, observers were predicting that the Old National Bank and Union Trust Company would reopen by June 1. However, Witherspoon—who said that in his opinion, "based upon the condition of assets as revealed by examination," the reorganization and reopening of the institution was certain—refused to estimate the time required to work out the reorganization. He said that the national bank examiners had been "most thorough" in their detailed examinations of every department in the bank and their appraisal of every one of its assets. These examiners were then in the process of preparing their report, which, together with the conservator's recommendations relative to reorganization, would go forward to the Comptroller of the Currency the latter part of the next week.

The approval of the Comptroller was necessary for this report and for every other step in the reorganization. Therefore Witherspoon emphasized the fact that, though the conservator (who would undoubtedly be susceptible to the influence of officials of the Old National Bank and Union Trust Company) would suggest a plan for reorganization, it would be subject to possible modification or redrafting. He said that in similar reorganizations elsewhere the Comptroller had insisted upon "very conservative programs" in order to guarantee the soundness of the reopened institutions. Although he and those associated with him at the Old National Bank and Union Trust Company subscribed to this view, they were determined "to effect a release of as large a percentage of deposits as possible."³¹

Witherspoon, in a conversation by telephone from Washington, D. C., with A. E. Reid, assistant conservator of the Old National Bank and Union Trust Company, on June 1, 1933, stated that the steps being taken to reopen that institution were progressing in an "encouraging manner." On the same day, Witherspoon telephoned the *Spokesman-Review* that he was much encouraged

³⁰ *Spokane Daily Chronicle*, March 25, 1933.

³¹ *Ibid.*, April 29, 1933.

by developments in connection with his conferences at San Francisco and Washington. He said that matters had proceeded to the point that examiners of the Reconstruction Finance Corporation had been instructed by the Washington office to make an examination of the assets of the Old National Bank and Union Trust Company, which would take a week or ten days. Then after the examination, the Comptroller of the Currency and the Reconstruction Finance Corporation would have to consider the plan of reorganization. Witherspoon said that he could not announce the details of the plan until the report had been approved by the Comptroller's Office.³²

On June 27, 1933, the Special Correspondent of the *Spokesman-Review* reported that the Reconstruction Finance Corporation had been informed that day that its examiners had about completed the survey of the assets of the Old National Bank and Union Trust Company in Spokane and that the report should reach Washington soon after July 4. He stated that the Reconstruction Finance Corporation would give no consideration to the application of the bank for a loan to aid in the bank's reorganization until it had received and studied the examiners' report and the specific data requested.

This correspondent said that the officials of the Old National Bank and Union Trust Company had proposed that the Reconstruction Finance Corporation purchase sufficient preferred stock of the bank to permit restoration of its capital and to allow the bank to resume operations. These officials, however, had not indicated the amount which they hoped to have the Reconstruction Finance Corporation subscribe, inasmuch as the amount would necessarily depend upon the value of the institution's liquid assets as determined by the examiners.³³

Meanwhile, by the middle of June, 1933, the idea of reorganizing the Old National Bank and Union Trust Company, so that it might take advantage of the provisions of the Banking Act of 1933 permitting branch banking, was under consideration.³⁴ One

³² *Spokesman-Review*, June 2, 1933.

³³ The surprising rise in the price of wheat by the latter part of June, 1933, caused the officials of the Old National Bank and Union Trust Company to believe that the bank would be benefited materially through an increase in the value of much of its paper. *Spokesman-Review*, June 28, 1933.

³⁴ This Act amended the McFadden-Pepper Act of February 25, 1927, so as to empower national and state member banks to establish branches outside

obstacle to this plan, however, was that the Old National Bank and Union Trust Company owned stock in banks in both Washington and Idaho. Therefore, to follow this plan of reorganization meant that the Old National Bank and Union Trust Company would be obliged to divorce its affiliates in Idaho. And some of these banks were reputed to be the strongest in the Old National group. As matters stood in the latter part of June, 1933, however, it was clear that no move would be made in Washington, D.C., toward reopening the Old National Bank and Union Trust Company until a definite report on its liquid assets could be received and studied by both the Comptroller of the Currency and the Reconstruction Finance Corporation.³⁵

The *Spokesman-Review* of July 2, 1933, carried the news that the Reconstruction Finance Corporation's agency in Spokane had completed its examination of the assets of the Old National Bank and Union Trust Company on July 1 and found the "asset position" of the Old National Bank and Union Trust Company qualified for a loan from that institution. It was assumed, therefore, that it had reported favorably for a loan for the Old National Bank and Union Trust Company.

The bank's executives evidenced a feeling of confidence that favorable events were not distant. Therefore, Witherspoon, conservator, and Twohy, chairman of the Old National Bank and Union Trust Company's board of directors, made plans to leave for Washington on July 3.

On July 8, 1933, the *Spokesman-Review* revealed that the Old National Bank and Union Trust Company of Spokane, in its reorganization plan then under consideration by the Comptroller of the Currency and the Reconstruction Finance Corporation, had asked for a loan of slightly more than \$3,000,000. The proposal was that the loan of \$3,000,000 be made by the Reconstruction Finance Corporation to the Investment and Securities Corporation of Spokane, the liquidating agent, which in turn would pass the money along to the bank, and that the security be the liquid assets of the Old National Bank and Union Trust Company. In addition to this, the bank had asked the Reconstruction Finance Corpor-

of their head-office cities where permitted to do so by the laws of the state in which the banks operated. See *Twentieth Annual Report of the Federal Reserve Board . . . , 1933*, "Banking Act of 1933," Sec. 23, par. c.

³⁵ *Spokesman-Review*, June 14, 1933.

ation to purchase \$500,000 of the preferred stock of the reorganized bank.

The Comptroller of the Currency and the Reconstruction Finance Corporation were unable to form an opinion on the plan until they had completed their analyses of the bank's assets as reported by their respective examiners. The Reconstruction Finance Corporation would be the first to pass judgment and would forward the application to the Treasury Department only if it approved the plan and believed that it would be acceptable to the Comptroller.

On July 19, 1933, the directors of the Reconstruction Finance Corporation authorized a loan of \$3,750,000 to rehabilitate the Old National Bank and Union Trust Company of Spokane and its affiliates in the Northwest. In announcing that the Reconstruction Finance Corporation had acted favorably, Jesse H. Jones, Chairman of the Reconstruction Finance Corporation, declined to state what percentage of deposits in the banks would be released if the loan would be completed. The reason advanced for declining to give the percentages was that there was some variation among the banks and that, until the final approval was given, such information would be premature. Also, because the deal could not be consummated without the Comptroller's approval of the plan for reorganization, the Corporation did not usually make public any information on loans of this character until the Treasury Department had approved them.³⁶ The Comptroller said that the plan for reopening the banks was under consideration, but that developments had not reached the point where he was willing to make announcements.³⁷

The Comptroller of the Currency, J. F. T. O'Connor, signed an elaborate plan for the reopening of the Old National Bank and Union Trust Company and those of its affiliates which were still closed on July 24, 1933. He declined to make any statement regarding the plan which he had approved and stated that all information regarding the reopening of the Old National Bank and Union Trust Company and its affiliated banks would have to come from Witherspoon, the conservator. After the Comptroller had acted upon the plan for opening the Old National

³⁶ This procedure was followed because the Comptroller of the Currency had found that premature information regarding such deals often proved embarrassing and sometimes resulted in their being overthrown.

³⁷ *Spokesman-Review*, July 20, 1933.

Bank and Union Trust Company and affiliates, Witherspoon went into a series of protracted conferences with officials of the Comptroller's Office and of the Reconstruction Finance Corporation. Following these conferences, he outlined the plan which the Comptroller of the Currency had announced.

According to this plan, the loan of \$3,750,000, which the Reconstruction Finance Corporation had tentatively approved earlier and had finally authorized immediately preceding the Comptroller's announcement, would make funds available: (1) to pay for the subscription to \$500,000 of this preferred stock of the Old National Bank and Union Trust Company by the Reconstruction Finance Corporation; (2) to provide \$2,400,000 to take care of obligations of the Old National Bank and Union Trust Company on bills payable as of the date of the conservator's appointment; (3) and to supply \$850,000 for "affiliated banks on a 100 per cent basis." The plan required that depositors of the Old National Bank and Union Trust Company waive their claims for payment on 60 per cent of their deposits. This made it possible to release the other 40 per cent of the deposits as soon as depositors holding 75 per cent of the "dollar volume" of deposits had signed the waivers and subscribed to the plan announced by the Comptroller for the reorganization and reopening of the bank.³⁸

Under the plan of reorganization, the Old National Bank and Union Trust Company was to repay the Reconstruction Finance Corporation first the amount borrowed from that institution. After that loan was repaid, subsequent earnings were to be applied to repaying depositors. The 60 per cent of the deposits to which depositors had waived their claims temporarily represented assets that were set aside for that purpose. No part of the assets of the Old National Bank and Union Trust Company were put up to secure the \$850,000 that was lent to the Investment Security Company. That loan was secured by the assets of the Old National Corporation. This proposed reorganization of the Old National Bank and Union Trust Company and its affiliates was planned to put them in condition, without further capital changes, to get

³⁸ *Ibid.*, July 25, 1933. In the interest of conservatism, the Comptroller insisted upon adherence to the "60-40 plan," which he had generally followed in reopening national banks, in preference to the "50-50 plan," which officials of the Old National Bank and Union Trust Company had advocated. The only difference between the two schemes was that depositors would have to wait a little longer for only 10 per cent of their deposits.

under the federal guarantee of deposits law, which was to become effective January 1, 1934.

Witherspoon expressed the opinion that the depositors of the Old National Bank and Union Trust Company would eventually recover 100 per cent on the dollar. At that time, however, he would venture no definite prediction as to the time when the Old National Bank and Union Trust Company and the affiliates might be expected to resume business beyond saying that it would be resumed as soon as depositors holding 75 per cent of the "dollar volume" of deposits had signed waivers, and he would venture no guess as to how long that would require.³⁹

Naturally the news that the Old National Bank and Union Trust Company might soon resume operation created much excitement in Spokane. The release of 40 per cent of the deposits of that institution and its closed affiliates throughout the Inland Empire would amount to about \$9,000,000. It was not surprising that, in an interview in the *Spokesman-Review* on Monday, July 24, 1933, Fred K. Jones, president of the Chamber of Commerce, welcomed the reopening of the Old National Bank and Union Trust Company and its affiliates as an event of the greatest moment to the community. Other prominent business men also stated in the *Spokesman-Review* that the release of \$9,000,000 in the community meant the rejuvenation of business in the area.⁴⁰

For a few days following July 24, 1933, Witherspoon remained in Washington and prepared the waivers, agreements, and other forms which had to go to the depositors of the Old National Bank and Union Trust Company. It was necessary to secure the Comptroller's approval of them before they could be sent out. Witherspoon and Twohy, after having been in conference with government agencies in Washington for three weeks, during which they had rounded out the details of the rehabilitation and reopening of the Old National Bank and Union Trust Company, returned to Spokane on July 31, 1933.

Twohy, chairman of the board of directors of the Old National Bank and Union Trust Company, announced that this detailed plan would be mailed to depositors as quickly as possible. He hoped that

³⁹ Some of the officials of the Old National Bank and Union Trust Company in Spokane, however, expected to hear from the necessary number of depositors within ten days after the latter had received the waivers and copies of the plan.

⁴⁰ *Spokesman-Review*, July 25, 1933.

prompt acceptance on the part of the depositors would make it possible to put into effect without much delay the program approved by the Comptroller of the Currency.

According to Twohy, the government agencies in Washington had been helpful. No license to reopen the Old National Bank and Union Trust Company was to be granted, however, until every legal requirement or request had been met in connection with the institution and the chances for its success had been analyzed and every safeguard invoked for the protection of the depositors.⁴¹

Meanwhile it had become clear that it would be necessary for stockholders to choose permanent officials of the Old National Bank and Union Trust Company—all elections of officers being subject to approval by the Comptroller of the Currency, the Federal Reserve Board, and the Reconstruction Finance Corporation. There was great speculation as to whether the bank would resume normal operations with its old officials or would elect new ones.⁴²

The last action preliminary to the submission of the plan for the rehabilitation and reopening of the Old National Bank and Union Trust Company and its closed affiliated banks took place on August 4, 1933. On this date, the directors of the Old National Bank and Union Trust Company, the Old National Corporation, and the Investment and Securities Corporation gave formal approval to the program. Also, on the same day, those in charge of the Old National Bank and Union Trust Company mailed the first lot of statements, waivers, and copies of a letter from Wither- spoon, the conservator, to the approximately eighteen thousand depositors of the bank.⁴³

The conservator's letter, which stated that the Comptroller of the Currency had approved a loan of \$3,750,000 to make possible the reopening of the Old National Bank and Union Trust Company, explained in detail the program for its rehabilitation and reorganization. The main object of the plan was the protection of the interest of depositors, taking into consideration the desirability of (1) releasing immediately a large percentage of the deposits, (2) assuring the ultimate distribution of the maximum amount of

⁴¹ *Ibid.*, Aug. 1, 1933.

⁴² *Ibid.*, July 25, 1933.

⁴³ *Ibid.*, Aug. 5, 1933. According to the plan, it was not necessary to send statements to depositors of the affiliated banks.

proceeds, (3) conserving and administering economically the assets held for gradual liquidation, and (4) conducting the affairs of the bank so as to make it eligible for insurance of deposits by the Federal Deposit Insurance Corporation, which was to begin operation on January 1, 1934.

According to the proposed plan for the reopening of the Old National Bank and Union Trust Company, 40 per cent of the funds of the respective depositors were available for withdrawal on demand.⁴⁴ For the remaining 60 per cent, the Investment and Securities Company,⁴⁵ subject to the prior claims of the Reconstruction Finance Corporation, would issue to each depositor a "certificate of participation" which represented a ratable participation in all assets which it held. These certificates had the added protection of a pledge of the assets and earnings of the Old National Corporation and its affiliated institutions to the extent of its ownership in each. They were to bear 2 per cent cumulative interest until they would be retired on a "ratable basis" as the Investment and Securities Company realized upon assets after it had repaid the loan of the Reconstruction Finance Corporation.

There were to be substantial alterations in the capital structure of the Old National Bank and Union Trust Company. Its existing common stock (that is, its entire stock) was to be reduced from \$1,500,000 to \$500,000. Preferred stock in the amount of \$500,000 was to be issued to the Investment and Securities Company for cash from some of the proceeds of the loan from the Reconstruction Finance Corporation.

The "transferred assets" of the Old National Bank and Union Trust Company (that is, bonds held by the Chase National Bank of New York City for the bank's account and the slow, criticized, and charged-off assets of the bank) served as security for \$2,400,000 of the Reconstruction Finance Corporation's total loan of \$3,750,000. The Old National Corporation, which owned all of the common stock of the Old National Bank and Union Trust Company except the "qualifying shares of the directors" for which

⁴⁴ All funds of secured deposits were available on demand. Apparently these deposits were those which their owners had placed in the bank in new or segregated accounts during the period when the institution was under the state Bank Stabilization Act and the Couzens Act and prior to the time when the Comptroller of the Currency stipulated that readjustments were necessary before officials could reopen the bank. Above, pp. 187-91.

⁴⁵ The liquidating agent for the Old National Bank and Union Trust Company.

the owners had paid cash, pledged all of its assets (including its holding of common stock)—not only in the Old National Bank and Union Trust Company but also in the other banks in its group—for an additional loan of \$850,000 for the purpose of eliminating the slow and unacceptable assets of the other banks which it controlled, so that they might reopen simultaneously with the Old National Bank and Union Trust Company.

The conservator then emphasized the fact that, for the proposed plan for the rehabilitation and reorganization of the Old National Bank and Union Trust Company to become effective, it was necessary that the owners of 75 per cent of the total deposits of the Old National Bank and Union Trust Company exclusive of the secured deposits assent to it in writing. Therefore, he urged depositors to sign and return the enclosed waivers promptly, so as to expedite the reopening of the bank, which, according to the Comptroller of the Currency, could resume operation on or before November 15, 1933, depending upon when its officials could meet stipulated requirements. He stressed that prompt action in approving this plan, which would result in both the immediate release of the greatest amount of deposits possible and the establishment of an efficient and economical method for realizing on withheld assets, was vitally important not only to the depositors themselves but also to the residents of Spokane and the "tributary territory."

The conservator went on to point out that the alternative to the approval of the proposed plan was to force the institution into receivership. Such action would necessitate liquidation which would not only result in delay, costs, and a sacrifice of values through forced liquidation by the bank's debtors but would also probably prevent the release of any funds at all for several months. Because the Comptroller of the Currency would continue his supervision and examination and because the Reconstruction Finance Corporation would exercise voting rights on the preferred stock, make examinations of the bank, and have voice in its management, there was no question as to increased vigilance by the federal government.⁴⁶

The response of the depositors of the Old National Bank and Union Trust Company was generally favorable. The number of

⁴⁶ *Spokesman-Review*, Aug. 5, 1933; *Moody's Manual* . . . , 1934, p. 197.

waivers in the mail on August 18 and 19 was so large that observers believed that the required number would be reached within the following week or ten days. Although waivers representing only 75 per cent of the "dollar volume" of deposits were necessary under the plan, Witherspoon, the conservator, desired that all depositors, large or small, sign them. He stated that it was necessary to have the support and good will of everybody interested in order to make the Old National Bank and Union Trust Company the "big bank" which its officials confidently expected it to become.

On August 19, 1933, the conservator of the bank announced that more than 66 per cent of the "dollar volume" of deposits, an amount of only 9 per cent less than the 75 per cent which was required to make the new plan operative, had been signed by the depositors. He pointed out that considerable ambiguity existed among some of the depositors as to the effect of refusing to sign waivers. Some were of the opinion that those who did not sign would be able to withdraw their entire accounts after the bank had reopened. He explained that this was an error, because the National Bank Conservation Act provided that, when depositors representing 75 per cent of the bank's deposits signed waivers, that action was binding upon every depositor. He stressed the fact that all depositors, after ratification of the "waiver agreement," could withdraw only 40 per cent of their respective deposits. For the 60 per cent of his deposits untouched, the depositor would receive a participating certificate which would bear 2 per cent interest for the time that the funds were tied up. He stated further that, as the Investment and Securities Company, a subsidiary of the Old National Bank and Union Trust Company, liquidated the slow paper of the bank, and after the obligations due the Reconstruction Finance Corporation had been met, the depositors would receive payments on the remaining 60 per cent of their deposits.

Fred Hovey of Washington, D.C., a special examiner in the bank division of the National Board of the Reconstruction Finance Corporation, who had come to Spokane to expedite the rehabilitation and reopening of the Old National Bank and Union Trust Company, was especially encouraged by the large number of waivers that had come through the mail. He said that the volume of returned waivers was outstanding among banks that had been reopened since the banking holidays. He declared that this plainly indicated a wish for an early reopening of the institution and prom-

ised that, as soon as the necessary number of waivers had been signed by the Old National Bank and Union Trust Company's depositors, the Reconstruction Finance Corporation and the Federal Reserve Branch Bank of Spokane would move swiftly to get the bank in action, for all of the plans for reorganizing and reopening were already complete. He himself planned to remain in Spokane until the bank reopened.⁴⁷

The signing of waivers by depositors of the Old National Bank and Union Trust Company in conformity with the reorganization plan had progressed so favorably that by September 3, 1933, it seemed likely that the goal of 75 per cent of the total of the bank's "dollar volume" of deposits would be reached within one week's time. Observers were venturing the opinion that the reopening of the Old National Bank and Union Trust Company would be around the middle of September. A sufficient number of individual depositors had already signed the waiver agreement, and the objective of 75 per cent of the "dollar volume" of deposits would be attained as soon as a number of corporations and conservators of other banks sent in their signed waivers. The receipt of those waivers was being held up only by legal formalities.⁴⁸

Depositors of most of the Old National Bank and Union Trust Company's closed affiliated banks located throughout the Inland Empire were in the group which had not returned their waivers. Waivers signed by the conservators of such institutions had to go to the Comptroller of the Currency at Washington, D. C., to be approved. These waivers had been forwarded to this official sometime previously and were awaiting their turn.

Meanwhile, the posting of the Old National Bank and Union Trust Company's 18,000 accounts under the plan permitting the withdrawal of 40 per cent of deposits was well under way. Collateral securities for the Reconstruction Finance Corporation loan had been checked and awaited only indorsement, which would come immediately after the receipt of the necessary waivers. Fred Hovey, the representative of the board of the Reconstruction Finance

⁴⁷ *Spokesman-Review*, Aug. 20, 1933. Hovey had been a banker in Omaha, Nebraska, for several years before he became connected with the Reconstruction Finance Corporation.

⁴⁸ Waivers of deposits by corporations had to be approved by resolutions of their boards of directors. With concerns whose directors' meetings are held only occasionally and whose board members are widely scattered, a board meeting in the summer is not a speedy procedure.

Corporation, said that only a few days would elapse from the time that the required number of depositors had signed waivers until a license would be issued by the Comptroller's office for the resumption of business by the Old National Bank and Union Trust Company.⁴⁹

During the first few days of September, optimism prevailed concerning the resumption of normal operations by the Old National Bank and Union Trust Company at an early date. On September 6, it seemed to some that September 18, or perhaps September 17, would be the probable date of the reopening of the Old National Bank and Union Trust Company.⁵⁰

On September 9 the Comptroller of the Currency sent a telegram to Witherspoon, conservator of the Old National Bank and Union Trust Company of Spokane, requesting him to submit as soon as possible a list of new officers for the bank. It was necessary for the Comptroller of the Currency, the members of the Federal Reserve Board at Washington, D. C., and the board of directors of the Federal Reserve Bank at San Francisco to approve the personnel of the bank before it could reopen. A writer in the *Spokesman-Review* of Sunday, September 10, 1933, observed that the Comptroller had no late advices as to the rate at which depositors had been signing waivers, but that he did state that numerous details had to be arranged prior to the bank's opening. The Comptroller did not expect the bank to secure a new license and begin operations within the following two weeks.

Meanwhile it was becoming increasingly clear that there would have to be a reorganization of the Old National Bank and Union Trust Company's executive personnel, as there had been of its capital structure. Between September 5 and 10, L. L. Madland of San Francisco, a national bank examiner, conferred in Spokane with Fred Hovey, the representative of the Board of the Reconstruction Finance Corporation of Washington, D. C. Apparently the matter of the official personnel of the reorganized bank was the problem under discussion. Presumably following a request from the Comptroller for a list of the proposed officials of the reorganized bank, those in charge of the Old National Bank and Union Trust Company scheduled a meeting of directors of the institution for the evening of September 8 to take action on the

⁴⁹ *Spokesman-Review*, Sept. 3, 1933.

⁵⁰ *Ibid.*, Sept. 6, 1933.

matter of personnel and thus to expedite the reopening of the bank. When the time for the meeting came, however, they found that, Twohy, chairman of the board, had left the city, and therefore the meeting did not take place.

In the opinion of his friends, Twohy had gone to protest to the Comptroller of the Currency against the rumored attempt to exclude from the official family of the reorganized bank both him and the group of officials who had been closely associated with him.⁵¹ According to local rumor, Witherspoon, conservator of the Old National Bank and Union Trust Company, was to have become president; and N. A. Telyea, a well-known banker of Montana, was to have become a vice-president.⁵²

In view of the Old National Bank and Union Trust Company's long and effective leadership as Spokane's largest bank and as an institution avowedly interested in promoting the development of Spokane and the Inland Empire, a telegram to the Comptroller of the Currency from Carl L. Shuff, a Spokane attorney, who had been a member of the governor's official family during the administration of Governor Hart, was significant. In connection with the rumor that "the government" was going to replace Twohy and Vincent upon the reopening of the Old National, Shuff said:

That bank has never placed a dollar of its funds in profitable call market, but has made its loans in Spokane and adjacent territory for constructive purposes. Its failure to reopen after the banking holiday, belated in this state, was no fault of the management, which never has been criticized. The experience, conservatism, and high ethics of Messrs. Twohy and Vincent are essential to success and growth of the bank upon reopening, and their displacement, unquestionably will be deeply resented in the community. Urge searching inquiry into motives underlying any proposed change of former management.⁵³

By September 16 the Comptroller of the Currency and officials of the Reconstruction Finance Corporation, who had been receiving reactions from numerous quarters in the "intensely bitter feud" raging between Witherspoon and Twohy concerning the reorganization of the executive and managerial personnel of the Old National Bank and Union Trust Company, reportedly had decided that it was time "to inject new blood and subordinate

⁵¹ These were reportedly: W. J. Kommers, vice-president of the Old National Bank and Union Trust Company and manager of the Old National Bank Building; W. J. Smithson, vice-president; J. W. Bradley, vice-president; and B. L. Jenkins, cashier.

⁵² *Spokesman-Review*, Sept. 13, 1933.

⁵³ *Ibid.*, Sept. 16, 1933.

both Twohy and Witherspoon and their respective partisans." At this time it seemed that Twohy, although unable to retain his old power, would continue to have a position as an official in the bank. It appeared, too, that, although Witherspoon would be unable to secure A. E. Reid's selection as president, he would be able to insure his getting a prominent position in the bank.⁵⁴

As conservator, Witherspoon announced the following slate of officers for the reorganized Old National Bank and Union Trust Company on September 16: D. W. Twohy, chairman; W. D. Vincent, vice-chairman; N. A. Telyea, president; A. E. Reid, executive vice-president; O. K. Moody, vice-president and credit officer; W. E. Tollenar, vice-president; E. K. Sweeney, vice-president and trust officer; J. E. McWilliams, cashier; R. W. Jones, assistant cashier; L. C. Reed, assistant cashier and associate trust officer; C. F. Hamblin, assistant cashier and associate trust officer; and E. P. Randall, assistant cashier.⁵⁵ Despite earlier predictions, there was very little "new blood" in this group. All had been with the Old National organization for many years, with the exception, of course, of Telyea, who very recently had come from Montana for the express purpose of becoming president of the Old National Bank and Union Trust Company. Twohy was the former chairman of the board of directors of the Old National Bank and Union Trust Company and president of the Old National Corporation. Vincent was the former president of the Old National Bank and Union Trust Company. A. E. Reid was vice-president of the Old National Corporation and manager of country banks. Moody, Tollenar, Sweeney, McWilliams, L. C. Reed, and Randall had been assistant cashiers at the Old National Bank and Union Trust Company. Jones and Hamblin had also been employed by the Old National organization for many years.⁵⁶

On September 22, Telyea, the newly chosen president of the Old National, who had been in conference with Witherspoon, conservator, and A. E. Reid, assistant conservator, was very enthusiastic about prospects for the "early" opening of the newly

⁵⁴ *Ibid.* Meanwhile the Agency of the Reconstruction Finance Corporation in Spokane had completed most of the task of checking and receiving the collateral of the Old National Bank and Union Trust Company in connection with the advance of funds for the bank's reopening. *Spokesman-Review*, Sept. 13, 1933.

⁵⁵ *Spokane Daily Chronicle*.

⁵⁶ *Spokesman-Review*, Oct. 8, 1933; *Moody's Banks . . .*, 1928, p. 474.

reorganized bank in an unusually strong position. Officials had carefully put the bank's affairs in order during the preceding summer. Telyea said that he had the assurance of cooperation and support of everyone connected with the organization and that he was confident that the bank would play a great part in the recovery of the community and the Inland Empire. He pointed out that the bank would start with no borrowed money and that the only obligation it would have would be to its depositors. According to the bank's plan of reorganization, 40 per cent of all restricted deposits was or would be subject to normal use at the time of the reopening. The assets amounted to approximately \$4,700,000 in cash and government bonds, with other bonds at "present" market prices totaling \$900,000. Liquid loans approved by the Comptroller of the Currency and the Reconstruction Finance Corporation totaled \$2,100,000. Capital, Surplus, and Undivided Profits amounted to \$1,250,000, with deposits of about \$6,450,000. The bank held no real estate as an investment.

Telyea commented that this exceptionally strong set-up with "extreme liquidity" would commend the newly organized bank to the support of the community. He wanted the old depositors to continue to maintain their accounts with the Old National Bank and Union Trust Company and hoped that new accounts would afford the bank an opportunity to be of service. He stressed the fact that the larger the volume of new business handled by the reorganized bank, the more rapidly the institution could pay the 60 per cent of deferred deposits because of added earnings which would be available for that purpose after the retirement of the "advances" made to the bank by the Reconstruction Finance Corporation.

Reporting that he was delighted with Spokane, Telyea predicted a big growth in the population of the city because of its location in the "distributive center" of an "empire" of enormous resources in lumber, wheat, metals, power, live stock, and varied agricultural products. He thought that the outlook for the city and trade area was indeed one of great promise.⁵⁷

Finally on October 3, 1933, the Comptroller of the Currency announced that the Old National Bank and Union Trust Company

⁵⁷ *Spokesman-Review*, Sept. 22, 1933.

would reopen Monday, October 9. Witherspoon, conservator for this institution, said that more than \$8,750,000 would be released for business channels by the reopening of the Old National Bank and Union Trust Company and the twelve unopened affiliated country banks,⁵⁸ which were scheduled to reopen on the same day as the Old National. All of the deposits of the country banks were to be immediately available without any restrictions on withdrawals.⁵⁹

By this time, the conservator announced that he had received signed waivers for more than 81 per cent of the "dollar volume" of deposits of the Old National Bank and Union Trust Company in the "sign-up to the reorganization plan" and that more were coming in daily. This, of course, was more than 6 per cent in excess of the legal requirement for the operation of the plan.

He declared that upon its reopening the Old National Bank and Union Trust Company would be resuming its normal functions, that is, "receiving and paying out deposits, seeking new business, making loans and handling collections, and operating all departments." He stressed that the "40 per cent of the former deposit balances" would be available for the normal use of depositors, as much as new deposits in a new bank, and that it did not constitute a dividend.⁶⁰

On October 5, authorities announced the names of the officers of the Investment and Securities Company, the holding company which they had created for the purpose of liquidating the reserved 60 per cent of the assets of the Old National Bank and Union Trust Company. They were: president, A. W. Witherspoon, conservator for the reorganization of the Old National; vice-president, L. A. Stilson, formerly a liquidator with the state department of banking; vice-president, E. B. Hutcheck, a former assistant cashier in the credit department of the Old National Bank and Union Trust Company; and secretary, George L. Kimmel. Witherspoon,

⁵⁸ Those in Washington were: Creston State Bank; Harrington State Bank; First National Bank, Medical Lake; Security National Bank, Palouse; Prosser State Bank; First National Bank, Reardon; First National Bank, Ritzville; State Bank, Spangle; First National Bank, Sprague; and First State Bank, Washtucna. Those in Idaho were the First National Bank, Moscow, and the Bank of Spirit Lake.

⁵⁹ *Spokesman-Review*, Oct. 4, 1933.

⁶⁰ *Spokane Daily Chronicle*, Oct. 3, 1933.

Stilson, and Kimmel were also trustees of the organization. Stilson was to be its "active head."⁶¹

The *Spokane Daily Chronicle* of October 6 carried a large announcement of the reopening of the Old National Bank and Union Trust Company on Monday morning, October 9, with all of the departments in "full operation." The bank was reopening with an "exceptional degree of liquidity," as the publication of its financial statement on the following day, Saturday, October 7, would show. Its management would be in the hands of "trusted, experienced bankers," many of whom were "old friends of the bank's depositors and customers." The board of directors, consisting of eleven⁶² "representative business men," would "keep in intimate touch with the bank's affairs" and "pay close attention to serving the community and to development of the wholehearted support of the entire community."

The following statement from Telyea, the new president of the Old National Bank and Union Trust Company, which appeared in the center of the announcement, was apparently designed to set the tone for the Old National Bank and Union Trust Company's reopening:

I am happy to be associated with the Old National Bank and Union Trust Company and to be a citizen of Spokane. The Old National has long been part and parcel of the business and financial life of this community. It has always been found in the front rank of support of Spokane's industries, its charities and its government. 'Old National' integrity, 'Old National' consideration and 'Old National' service are cherished Spokane traditions. I believe Spokane needs the facilities of all its banks and that the success of the reopened Old National—with new and concentrated strength, increased liquidity and enjoying the close cooperation and strict supervision of the United States Government—is vital not only to the depositors but also to Spokane and the Inland Empire. To the service of the bank's customers and the community I pledge the best efforts of which I am capable.

On October 7, an "Easy-to-Read and Easy-to-Understand Statement of the Strength of This Bank [approximate Figures as of the Opening Date]" appeared in the *Spokane Daily Chronicle*:

⁶¹ *Ibid.*

⁶² In connection with the published financial statement, the names of only ten were announced. See below, p. 196.

RESOURCES

“(What the Bank Owns)”⁶³

Cash and Due from Banks and the United States Treasury	\$3,509,388.62	
United States Bonds	847,088.71	
Bonds to Secure Circulation	500,000.00	
Bonds and Warrants ^a	907,884.92	\$5,764,362.25
Federal Reserve Bank Stock		54,000.00
Loans and Discounts ^b		1,978,540.51
Furniture and Fixtures ^c		100,000.00
Accrued Interest		66,000.00
Total Resources		\$7,962,902.76

LIABILITIES

“(What the Bank is Liable for)”

“(The Bank Owes No Money except to its Depositors)”

Deposits	\$6,195,476.05	
Circulation	500,000.00	
Total Liabilities and Deposits		\$6,695,476.05
Capital		
Common Stock	\$500,000.00	
Preferred Stock	500,000.00	
Surplus		1,000,000.00
Undivided Profits		200,000.00
Reserves		67,426.71
Total Working Capital and Reserves		\$1,267,426.71
Total Liabilities		\$7,962,902.76

At the end of this statement, there was the following list of directors: L. M. Davenport, J. I. Kinman, J. P. McGoldrick, O. K. Moody, J. L. Paine, Howard Paulsen, A. E. Reid, N. A. Telyea, D. W. Twohy, and W. D. Vincent. Of this group, only Kinman and Telyea had had no previous connection with either the Old National Bank and Union Trust Company itself or with

⁶³ Explanations of three of the significant items of the Resources (or Assets), namely, Bonds and Warrants, Loans and Discounts, and Furniture and Fixtures (a, b, and c, respectively) were:

a “(State, city, county and other municipal bonds and warrants and other readily marketable securities carried at today’s market value. Approved by the Comptroller of the Currency and the Reconstruction Finance Corporation.)”

b “(Loans made to customers for use in their business and for other legitimate needs, approved by the Comptroller of the Currency, the Reconstruction Finance Corporation and the Officers and Directors of this bank.)”

c “Furniture and fixtures were carried at conservative approved valuations.”

There were no funds in real estate.

the Old National Corporation. In the group of directors, as in the corps of officers of the bank, there was little infusion of "new blood."⁶⁴

Finally, at noon, Saturday, October 7, 1933, the conservator of the Old National Bank and Union Trust Company began the formal transfer of the bank from his hands to those of the directors. The executives of the bank were busy signing transfer orders and receipts until far into the night.

The Old National Bank and Union Trust Company was in position to resume normal business on the following Monday morning. It opened with approximately \$6,200,000 in deposits and approximately \$8,000,000 in resources. The deposits were all live deposits, payable on demand. The depositors who had had funds in checking or demand deposit accounts on March 1, 1933, were able to check on their accounts without visiting the bank. The depositors who had funds in savings or in certificates of deposits were required to give the bank a written order for the placement of the funds in such accounts as they desired. All of the funds in the bank were held as "demand" funds and drew no interest until they were transferred by order of the customer to a savings account or to a certificate of deposit.

Commenting upon the occasion of the reopening of the Old National Bank and Union Trust Company, Twohy, chairman of the board of directors, said:

I desire to express the appreciation of the members of the board of directors and the staff for the patience, forbearance, and good will extended to the institution by the people of this community. Great faith has been placed by the people of Spokane and the Inland Empire in the Old National, and it is our purpose to justify their confidence.

We have handled a considerable percentage of the commercial business of the community, and through 12 affiliated banks we have handled a good deal of the commercial business of the Inland Empire. We are ready to pick up the thread of business where we dropped it last March.

The directors and officers are looking confidently to the support and cooperation of our friends to aid us in rebuilding the institution so that it will be in a position to do its part in the recovery program of the territory which it serves.

⁶⁴Incidentally, the staff of the reorganized bank was to consist of recruits from former employees who had been on leave of absence since the appointment of the conservator in the spring. *Spokane Daily Chronicle*, Oct. 3, 1933.

Twohy added that the directors of the bank were fortunate in securing the services of N. A. Telyea as the chief executive officer. Telyea, of course, was the only new official of the bank.

Telyea, the new president of the bank, himself commented as follows:

The resumption of normal business tomorrow by the Old National Bank and Union Trust Company is, in my opinion, a most important step toward a definite upturn in business conditions in Spokane and the Inland Empire. Making available funds which have been withheld since last March means much to this community.

When the Old National opens Monday morning there will be approximately \$6,200,000 of deposits. This \$6,200,000 represents the net amount due depositors after the 60 per cent waived has been set aside and includes the spiral trust deposits made during the period the bank has operated on a restricted basis.

A large portion of these deposits are in United States government bonds and other high-grade securities carried at present market values. These securities are readily convertible into cash. All of the assets have been approved by representatives of the Comptroller of the Currency and the Reconstruction Finance Corporation. The government has shown confidence in the reorganized bank by furnishing \$500,000 for investment in preferred stock.

The unusually strong position of the bank and the fact that it will have no liabilities other than to depositors justifies the hope that all Old National customers will continue their banking relations with us. Accounts of new customers are invited.

There is ample room in this community for successful operation of all the banking institutions now located here, and the Old National intends to perform its full share toward the advancement of the community.

I believe protection of depositors is the most important duty of a bank to its community, and we intend to conduct the affairs of the Old National in such a manner that the funds of our depositors will be held in absolute safety and available to these depositors as needed.

The Old National and its twelve affiliated banks are in a position to come under the national bank deposit guarantee act when the act goes into effect in January.⁶⁵

On the eve of the opening of the Old National Bank and Union Trust Company, six outstanding business men of the Spokane trade area permitted the publication in the press of statements expressing their sentiments on the subject. The tenor of these comments, which seem to represent a rather fair "sample check" of the opinion of business in the area which the Old National Bank and Union Trust Company had served, augured well for the future of the institution.

⁶⁵ *Spokesman-Review*, Oct. 8, 1933.

Stanley A. Easton of Kellogg, Idaho, president, Bunker Hill and Sullivan Mining and Smelting Company, said:

The resumption of business by the Old National Bank and Union Trust Company and twelve affiliated banks is an event of major importance to the entire Inland Empire area. It is important because it immediately releases several millions of dollars for business and personal uses.

Possibly more important, it is the practical demonstration of what can be accomplished by cooperation of the officials, depositors and the general public. The hard work and unselfish efforts of the officials, directors and depositors of the bank are to be greatly commended, and to them principally is due the credit for making possible this happy event.

Peter McGregor, president, McGregor Land and Live Stock Company, Hooper, Washington, stated:

I rejoice with the other citizens of the Inland Empire in the reopening of the Old National Bank and Union Trust Company of Spokane and its affiliated banks throughout the territory. I am also pleased to see that D. W. Twohy will continue in active management in this banking system.

From many years' association with him on the board of the Spokane Branch of the Federal Reserve Bank, I have had an opportunity to know his real ability as a banker and his absolute integrity. I am sure that the confidence of the public that he and his associates in the management of the Old National have enjoyed for so many years will continue with the reopened institution.

James L. Paine, president, Crescent Store, declared:

The reopening of the Old National Bank and Union Trust Company marks the turning point on Spokane's road to recovery. That bank, always in the forefront of community business enterprises, will speedily resume its accustomed place. Its new president, Mr. Telyea, comes to Spokane with a good banking record, and we are sure he will prove an acquisition [sic] to our city. Supported by the tried and true leadership of Mr. Twohy and Mr. Vincent, I am confident Mr. Telyea will carry on the best traditions of the institution and that the future is bright for it.

George E. Schille, manager of Armour and Company, asserted:

Monday will be a big day for Spokane and the Inland Empire when the Old National Bank resumes business. That institution has meant much in the upbuilding of industries for this entire region. The management has always stood for integrity and fair dealing and I believe that with the public support to which it is entitled it will soon regain its prestige among financial institutions of the Northwest.

Eugene S. Enloe, president of the Washington Trust Company, remarked:

Everyone is happy about the reopening of the Old National. The management of that institution has been held in high regard, and it is to be congratulated on the fact that the most exacting scrutiny of its affairs by government agencies has failed to reveal a single irregularity.

We congratulate Mr. Twohy and his associates, and wish for them every success in the future.

F. M. Davenport, president of the Davenport Hotel Company, commented:

Having been a depositor of the Old National since it was organized, and having served on its board of directors for a number of years, I can testify to the high standards of service given by the bank, and its influence in the development of Spokane and the Inland Empire.

I wish to recognize Mayor Funk's proclamation in rejoicing with the people of the community upon the occasion of the reopening.⁶⁶

The Old National Bank and Union Trust Company reopened on schedule at ten o'clock, Monday morning, October 9, 1933, after having been closed for approximately seven months. At noon, Telyea, the bank's new president, gave out a brief statement. The bank's officials, he declared, were elated at "the many expressions of good will, by the many large deposits by former customers and by the host of floral greetings waiting" when they opened the bank. He said that, though the auditing department had not been able "to run off the balance to give out exact figures," a check showed that deposits during the first two hours after reopening were "substantially greater than withdrawals." He was confident that the "Old National" had already resumed its place in the community in "every respect and to the fullest measure" of the hopes of its officials, clients, and friends.⁶⁷

VII. CONCLUSION.

The Old National Bank of Spokane was a giant among the pioneering financial institutions of Spokane and the Inland Empire for approximately a quarter of a century during the period when the area, still a frontier, was experiencing its first sustained rapid growth. It played the key role in furnishing the financial leadership which established Spokane as the financial center of the entire Inland Empire. It became the depository of large funds which it consistently made available for the development of the industry, commerce, mining, lumbering, and agriculture of the area.

The founder of the Old National Bank of Spokane, S. S. Glidden, had amassed considerable wealth in the mining industry in the Inland Empire and apparently established a bank largely for the purpose of providing a safe and moderately profitable outlet for

⁶⁶ *Ibid.*

⁶⁷ *Spokane Daily Chronicle*, Oct. 9, 1933.

the investment of his funds. Under his management from 1891 to 1902, the institution functioned as a small unit bank characterized by a high degree of stability and steady though limited growth.

The purchase of the Old National Bank by James C., John, and D. W. Twohy, and their associates in the fall of 1902 resulted in a drastic change in the policies and operation of the institution. Under the dynamic management of its new president, D. W. Twohy, an experienced banker, and with the able assistance of W. D. Vincent, who had retained his position as cashier and as a member of the board of directors when the new owners had purchased the bank, and of W. J. Kommers, who had followed him to Spokane, where he served effectively in numerous positions of very considerable responsibility, and a corps of other able officials, the institution entered upon a period of spectacular growth and constructive financial leadership which lasted almost a third of a century. Within less than five years, the Old National Bank had become the largest bank in Spokane, a position which it maintained for a quarter of a century.

D. W. Twohy organized and became president of the Union Trust Company in 1907 and of the Union Securities Company, a group or chain of banks, in 1909, two concerns in which stockholders of the Old National Bank held the controlling interest. By virtue of these facts, the Old National Bank in effect became the center of a system of banks throughout the Inland Empire and was thus able to wield strong influence in the entire area. The Old National Bank and Union Trust Company itself became an integral part of "the 'Old National' System of Inland Empire Banks" with the formation of the Old National Corporation, a holding company, in 1929. This concern, owned and controlled by residents of the Inland Empire, included the Old National Bank, the First National Trust and Savings Bank of Spokane, and virtually all of the banks which the Union Securities Company had formerly controlled.

Officials of the Old National Bank sought constantly to broaden the scope and to improve the quality of the service of their institution to its clients and to the community and region of which they made it a vital part. This involved the use of approved and efficient policies and methods of conducting the business of banking as well as the creation of new departments and the supplying

of new services to meet the challenge for financial leadership and assistance in additional fields. It also included the provision of adequate and attractive banking quarters and the rapid introduction of up-to-date mechanical equipment. Outstanding programs of publicity and of public relations not only increased the business of the Old National Bank but also added to its prestige and popularity as the leading bank of Spokane and the Inland Empire and as one of the foremost banks of the Pacific Northwest during its period of preeminence.

During the acute economic emergency of 1933, there was a forced reorganization and a consequent change in the management of the Old National Bank and Union Trust Company. These events brought to a close the period in which it had been the pioneer "big bank" of Spokane and the Inland Empire. Since that time, the institution, whose officials have discharged in full all of the obligations which it had occurred incident to its reorganization, has continued to be a significant factor in the financial life of Spokane and the Inland Empire.

APPENDIX A

Officers and Directors of the Old National Bank Prior to 1933¹*Presidents*

Glidden, S. S.	1891-1902
Twohy, D. W.	1902-1920
Vincent, W. D.	1920-1933

Vice-Presidents

Jenkins, D. P.	1891-1892
Thomsen, Moritz	1893-1898
Culbertson, F. R.	1898-1902
Larson, Peter	1902-1908
Humbird, T. J.	1908-1914
Vincent, W. D.	1914-1920
Bradley, J. W.	1920-1933
Smithson, W. J.	1920-1933
Greenwood, G. H.	1926-1928
Kommers, W. J.	1926-1929
Paine, F. C.	1926-1930
Wakefield, W. J. C.	1926-1931
Moody, O. K.	1928-1939
Reed, L. C.	1929-1933

Cashiers

Hall, O. F.	1891-1892
Byers, W. M.	1893-1894
Vincent, W. D.	1895-1914
Yeomans, J. A.	1914-1920
Greenwood, G. H.	1920-1926
Jenkins, B. L.	1926-1933

Directors

Culbertson, F. R., vice-president, Old National Bank; Mines; Merchant	1891-1902
Fairlamb, H. T.	1891-1893
Galland, Julius, president, Galland-Burke Brewing and Malting Company	1891-1893
Glidden, S. S., president, Old National Bank; Mine Owner	1891-1902
Hall, O. F.	1891-1893
Paterson, J. A.	1891-1893
Stern, S. R.	1891-1898
Thomsen, Moritz	1891-1898
Wadsworth, H. B.	1891-1893
Adams, J. H.	1893-1895
Byers, B. M.	1893-1898

¹ "Bank Statements"

Graves, J. P., president, Spokane & Inland Railway Company	1893-1898
and 1910-1924	
Lamborn, T. S.	1893-1895
Powell, E. L.	1893-1898
Vincent, W. D., president, Old National Bank	1895-1935
Brown, C. R.	1898-1902
Gordon, B. L.	1898-1902
Henley, D. W.	1898-1902
Rigg, S. E.	1898-1902
Stoll, W. T.	1898-1902
Barline, J. C.	1900-1902
Farrell, J. D., president, Pacific Coast Steamship Company	1902-1916
Larson, Peter, vice-president, Old National Bank; railway contractor, Helena, Montana	1902-1908
Twohy, D. W., president, Old National Bank and Union Trust Company; Union Securities Company; and trustee, Old National Corporation	1902-still serving
Twohy, James C., Twohy Brothers, railroad contractors	1902-1908
Wren, T. F., Wren and Greenough, railway contractors	1902-1933
Ankeny, Levi, banker; United States Senator	1903-1917
Humbird, T. J., vice-president, Old National Bank; general manager, Humbird Lumber Company	1907-1932
McGoldrick, J. P., president, McGoldrick Lumber Company	1907-1943
Greenough, T. L., railway contractor, Missoula, Montana	1908-1912
Hutton, L. W., mine owner	1909-1928
Porter, J. D., Porter Brothers and Welch, railroad contractors	1909-1926
Twohy, John, president, Twohy Brothers, railroad contractors	1909-1926
Blackwell, F. A., president, Idaho and Washington Northern Railroad; president, Panhandle Lumber Company	1910-1916
Grinnell, F. B., real estate	1910-1916
Paulsen, August, mines	1910-1927
Welch, Patrick, P. Welch and Company, railroad contractors	1910-1926
Wakefield, W. J. C., attorney	1910-1931
Porter, R. B.	1911-1916
Monroe, W. A.	1911-1916
Kommers, W. J., president, Union Trust Company	1914-1933
Twohy, E. P., attorney	1916-1933
Corbin, D. C., president of the Spokane International Railway and the Corbin Coke and Coal Company	1898-1902
and 1916-1918	
Cunningham, J. C.	1917-1920
Flewelling, A. L., president, timber interests	1917-1922
McCulloch, F. T., president, Crystal Laundry Company	1917-1933
Paterson, R. B., president, Spokane Dry Goods Company	1917-1923
Corbin, Austin II, president, Corbin Coals, Ltd.	1918-1931
McCornack, J. K., banker	1920-1926
Davenport, L. M., president, Davenport Hotel Company	1922-1951

Greenough, G. H., railway contractor	1926-1928
Paine, F. C., vice-president, Union Trust Company	1926-1929
Gonser, C. A., supervisor, Hutton Settlement	1929-1933
Paine, J. L., president, Spokane Dry Goods Company	1929-1935
Moody, O. K., banker	1930-1937
Witherspoon, A. W., attorney	1930-still serving

APPENDIX B

Selected Asset and Liability Items and the Total Assets and Liabilities of the Old National Bank²

Year	Loans, Discounts, and Over- drafts	Other Bonds, Investments, and Real Estate	Total Assets and Liabilities	Capital Stock Common	Surplus, Undivided Profits, and Reserves	Deposits	Other Liabilities
	\$	\$	\$	\$	\$	\$	\$
1892	283,070	62,353	423,266	250,000	9,929	117,660	45,737
1893	276,645	64,154	412,561	250,000	21,729	94,747	46,085
1894	259,145	100,492	460,740	250,000	6,475	153,845	50,420
1895	274,264	115,124	570,337	250,000	16,720	258,617	61,720
1896	285,900	102,401	659,065	200,000	14,347	400,368	44,350
1897	355,778	110,482	824,360	200,000	27,203	552,158	44,999
1898	336,551	96,766	1,099,128	200,000	10,815	843,843	44,470
1899	342,713	85,197	981,095	200,000	18,104	718,840	44,151
1900	507,799	117,436	959,877	200,000	26,497	683,380	50,000
1901	523,063	84,322	1,040,272	200,000	41,941	714,699	83,632
1902	702,742	74,589	1,280,150	200,000	41,815	945,050	93,285
1903	1,796,391	58,960	2,666,184	200,000	66,884	2,162,037	137,263
1904	1,805,935	131,600	3,053,803	200,000	72,419	2,520,549	260,835
1905	2,363,650	350,000	3,928,393	200,000	80,009	3,598,384	50,000
1906	4,011,247	625,000	6,396,210	500,000	100,529	4,808,215	987,466
1907	5,114,029	473,751	7,799,533	500,000	155,644	6,016,925	727,550
1908	3,964,494	458,291	8,400,284	500,000	245,026	6,156,262	1,108,852
1909	5,343,791	748,699	10,137,099	1,000,000	212,951	6,541,882	1,307,949
1910	6,011,631	522,242	10,524,735	1,000,000	339,675	6,952,460	1,157,937
1911	6,124,713	778,418	11,232,263	1,000,000	418,808	7,298,015	1,442,630
1912	6,265,317	965,736	11,506,974	1,000,000	439,955	7,484,040	1,500,410
1913	6,781,670	1,035,154	11,660,408	1,000,000	441,164	7,703,778	1,450,778
1914	6,870,239	1,008,753	12,732,619	1,000,000	544,286	8,334,077	1,760,461
1915	6,701,951	1,019,899	13,320,193	1,000,000	557,975	9,153,417	1,518,801
1916	8,822,588	2,184,085	16,633,649	1,000,000	540,975	11,598,435	2,949,239

1917	11,799,423	2,748,368	19,050,595	1,200,000	367,332	13,659,999	2,853,064
1918	10,794,606	2,874,541	19,122,080	1,200,000	316,268	12,262,854	4,342,958
1919	9,668,485	2,880,880	21,699,562	1,200,000	411,512	14,910,984	4,147,066
1920	16,070,181	1,964,718	23,751,037	1,200,000	450,494	15,805,540	5,324,630
1921	13,281,707	1,336,147	21,671,000	1,200,000	565,000	18,896,000	2,010,000
1922	13,622,942	1,103,667	22,682,000	1,200,000	769,000	19,691,000	1,016,000
1923	15,033,623	1,460,349	23,563,000	1,200,000	644,000	20,522,000	1,197,000
1924	17,584,090	1,691,379	25,540,719	1,200,000	344,368	22,657,151	1,399,200
1925	15,286,265	1,306,524	23,378,579	1,200,000	470,073	20,531,905	1,176,601
1926	14,043,621	2,318,479	22,708,714	1,500,000	741,287	19,252,246	1,315,468
1927	14,390,331	4,633,844	23,806,000	1,500,000	691,000	20,415,000	1,200,000
1928	14,082,354	4,623,335	23,707,000	1,500,000	670,000	20,052,000	1,385,000
1929	15,466,573	5,398,559	27,297,000	1,500,000	603,000	23,654,000	1,540,000
1930	13,619,356	5,973,822	25,043,000	1,500,000	557,000	21,468,000	1,518,000
1931	11,999,758	7,829,033	23,383,000	1,500,000	526,000	18,724,000	2,633,000
1932	9,487,733	7,144,030	19,230,000	1,500,000	418,000	13,041,000	4,271,000
1933	1,978,541	907,885	7,962,903	500,000C	267,427	6,195,476	500,000
				500,000P			

* The figures in Appendix B, except those for 1923, 1924, and 1925, which are taken from the *Annual Report of the Supervisor of Banking*, State of Washington (Olympia: L. M. Lamborn, Public Printer), pp. 67, 72, and 64, are derived from the *Annual Report of the Comptroller of the Currency*... 52d Cong., 2d Sess., H. of Rep., Ex. Doc. No. 3, Part 2 (Washington: Government Printing Office), 1892, II, 1232; 1893, 52d Cong., 2d Sess., H. of Rep., Ex. Doc. No. 3, Part 2, 1230; 1894, 53d Cong., 3d Sess., H. of Rep., Ex. Doc. No. 3, II, 1225; 1895, 54th Cong., 2d Sess., H. of Rep., Ex. Doc. No. 10, Part 2, II, 1214; 1896, 54th Cong., 2d Sess., H. of Rep., Ex. Doc. No. 10, Part 2, II, 1200; 1897, 55th Cong., 2d Sess., H. of Rep., Ex. Doc. No. 10, Part 2, II, 1175; 1898, 55th Cong., 3d Sess., H. of Rep., Ex. Doc. No. 10, II, 1174; 1900, 56th Cong., 2d Sess., H. of Rep., Ex. Doc. No. 10, II, 1259; 1901, 57th Cong., 1st Sess., H. of Rep., Ex. Doc. No. 10, II, 1375; 1902, 57th Cong., 2d Sess., H. of Rep., Ex. Doc. No. 10, II, 1495; 1903, 58th Cong., 2d Sess., H. of Rep., Ex. Doc. No. 10, II, 1635; 1904, 58th Cong., 3d Sess., H. of Rep., Ex. Doc. No. 11, p. 1750; 1905, 59th Cong., 1st Sess., H. of Rep., Ex. Doc. No. 11, p. 749; 1906, 59th Cong., 2d Sess., H. of Rep., Ex. Doc. No. 11, pp. 760-61; 1907, pp. 808-09; 1908, pp. 836-37; 1909, pp. 708-09; 1910, pp. 694-95; 1911, pp. 692-93; 1912, pp. 652-53; 1913, pp. 686-87; 1914, II, 638-39; 1915, II, 828-29; 1916, II, 768-69; 1917, II, 750-51; 1918, II, 712-13; 1919, II, 718-19; 1920, pp. 736-37; 1921, p. 693; 1922, pp. 652-53; 1926, Table No. 98, pp. 258-59; 1927, Table No. 121, p. 254-55; 1928, Table No. 97, pp. 248-49; 1929, Table No. 103, pp. 242-43; 1930, Table II, pp. 232-33; 1931, Table F, pp. 218-19; 1932, Table J, pp. 208-09; and 1933, Table K, pp. 180-81.

APPENDIX C

Development of Union Trust Company and Savings Bank³

Year	Capital Stock	Surplus and Undivided Profit	Total Deposits	Trusts	Total Resources
1907	200,000	\$ 24,863	\$ -----	\$ -----	\$ 292,319
1908	200,000	49,027	-----	-----	321,471
1909	500,000	48,854	-----	-----	1,130,701
1910	500,000	66,488	-----	-----	1,152,142
1911	500,000	101,931	309,256	-----	6,176,028
1912	500,000	118,466	504,048	4,000,000	6,239,831
1913	500,000	111,989	563,529	-----	6,421,380
1914	500,000	96,506	471,288	-----	6,683,631
1915	500,000	152,538	528,886	-----	1,347,759
1916	500,000	206,892	1,188,965	-----	-----
1917	200,000	110,008	186,638	11,000,000	-----
1918	200,000	108,734	239,000	-----	547,000
1919	200,000	98,084	221,505	-----	537,086
1920	200,000	86,274	306,391	-----	603,961
1921	200,000	105,115	186,076	-----	526,795
1922	200,000	128,418	122,719	13,000,000	492,947
1923	200,000	129,000	-----	-----	504,000
1924	200,000	148,000	-----	-----	628,000
1925	200,000	182,000	-----	-----	838,000
1926	200,000	24,000	-----	-----	224,000
1927	200,000	24,300	-----	-----	224,300
1928	200,000	39,000	-----	-----	239,000
1929	500,000	68,000	4,026,000	-----	5,112,000
1930	500,000	59,000	4,004,000	-----	5,078,000
1931	500,000	42,000	3,006,000	-----	4,113,000
1932	500,000	54,000	2,043,000	-----	3,102,000
1933	-----	-----	-----	-----	-----

³ *Annual Report of State Examiner*, State Banking Department, Olympia, 1907, p. 71; 1908, p. 79; 1909, p. 69; 1910, p. 78; 1911, p. 80; 1912, p. 86; 1913, p. 85; 1914, p. 89; 1915, p. 93; 1916, p. 33; 1917, p. 33; 1918, p. 38; 1919, p. 41; 1920, p. 48; 1921, p. 50; 1922, p. 51; 1923, p. 59; 1924, p. 64; 1925, p. 56; 1926, p. 48; 1927, p. 43; 1928, p. 39; 1929, p. 48; 1930, p. 47; 1931, p. 62; 1932, p. 77. The figures omitted in the table are not available.

FOUR NEW WAGNER LETTERS¹

PAUL P. KIES
Professor of English

Though the recent publication of the Burrell Collection has increased the number of Richard Wagner letters in print by about eight hundred,² the list of unpublished ones has not yet been entirely exhausted. The present writer has four more to add—dated July 28, 1854, June 18, 1877, September 15, 1873, and August 23, 1878. The first three are signed by Richard Wagner himself and are in German; the first two are entirely in his own hand, and the third was evidently dictated by him, the body being in the script of Cosima, his second wife. For each of these three, both a transcription of the original German and an English translation are printed in this article, and, for each of the first two, a photographic copy is also included. The fourth letter is in Cosima's handwriting throughout, including the signature, but was written in Richard's interest and presumably at his direction. For this last one, which is in English, only a transcription is given. The originals of the first and the third are in The State College of Washington Library, and those of the other two belong to the present writer.

LETTER 1

The letter of July 28, 1854, which is an extremely important one, was addressed to the Princess Carolyne von Sayn-Wittgenstein (born 1819). Wagner had become acquainted with her through Franz Liszt, who, as conductor of the Court Theatre at Weimar, was working zealously to further the cause of Wagner's new type of opera. During the twelve years of 1849-61, while the eminent Hungarian pianist and composer was devoting most of his time to Weimar, the little city of twelve thousand was the center of musical life in Germany. The Princess was then Liszt's intimate friend and companion, and the large house in which they were living (called Altenburg) was the Mecca of the rising young artists of the "neo-German" school. At the time of the present letter, the lady was still favorably disposed toward Wagner, though later she became very antagonistic toward him and his music. His addressing her as "Con-

¹ Published March 20, 1952.

² John N. Burk, ed., *Letters of Richard Wagner* (New York: The Macmillan Company, 1950).

ductress" ("Kapellmeisterin") was probably intended as a compliment to her for her great interest and influence in musical matters. Instead of using his name, he signed himself as "Your musician" ("Ihr Musikus").

The manuscript of the letter remained in the possession of descendants of the recipient until shortly before January, 1951, when it was acquired by The State College of Washington. A printed transcription of the original German, to be followed immediately by an English translation, will be given at this point (the holograph has no heading, and even the salutation is incorporated into the body):

Soeben, liebe Kapellmeisterin, bin ich erst wieder in Zürich angekommen. Das gewünschte kann ich somit erst heute Ihnen zusenden: verzeihen Sie daher!—

Ich war eine kurze Zeit am Genfer See, und schliesslich auf einem Berge am Vierwaldstätter-See, Brunnen gegenüber. Wundervolle Natur — der ich doch bald gleichgültig wieder den Rücken wandte! Auch die Natur ist nur zum Theil ausser uns; wenn wir in uns nichts davon haben, ist sie fast gar nicht da. Das sind solche Palliativmittel, die bei einem Kranken nicht mehr anschlagen, der seine Krankheit gründlich kennt, und begreift, dass sie nicht zu heilen ist. Eine dreiwöchentliche Unterbrechung meiner Arbeit war mir sehr peinlich: ich verhoffe mir nur von ihrer Wiederaufnahme etwas Wohlbefinden.

Wenn Herr Hoffmann v. Fallersleben es vermag, "fröhlich zu sein," so thut er sehr recht, wenn er es auch "wagt." Wer seinen Willen bis dahin übt, dass dass [sic] er auch eine fröhliche Stimmung sich vorsetzen kann, vor dessen Willkür habe ich grösseren Respect als Neigung zu dem Erfolge seines Willens, da eine Fröhlichkeit, die ich mir selbst arrangieren soll, mich nicht sonderlich erquickern dürfte.

Ich bin begierig zu erfahren, was H. v. Fallersleben denn eigentlich verhindert, fröhlich zu sein, da es ihm dabei nur auf das Wagniss ankommt: vielleicht die "politischen Zustände"? Der Glückliche!— Lassen wir ihn, und bleiben wir nach Herzenslust traurig!!

Ich kann Ihnen von mir gar nichts weiter melden, als dass ich froh bin, in den nächsten Tagen am ersten Akt der "Walküre" fortfahren zu können: Alles, was diesem Fortfahren voranging, war eine lebenslose Oede. — Sie sehe ich also dieses Jahr nicht? —

Grüssen Sie das Kind — und seien Sie mir nicht böse, dass ich Sie etwas im Heiter-werden gestört habe! Doch— Sie haben am Ende doch nur Grund zur Heiterkeit: bei Euch haben sich doch die Menschen, und höchstens die Sachen incommodieren Sie. Ich kann mir leider leider nur mit Sachen helfen — und wenn dann diese noch unbequem werden, so ist's wahrlich der traurigen Ironie zuviel! —

Leben Sie wohl, liebe Kapellmeisterin!

Ihr

Zürich

Musikus

28 Juli 1854

English translation—

Just now, dear Conductress, have I arrived again in Zurich. Therefore I am able to send you only today what you wanted; please excuse the delay!

I spent a short time at the Lake of Geneva, and finally on a mountain on the Lake of Lucerne, opposite Brunnen. Wonderful Nature — on which, however, I soon turned my back indifferently! Nature, too, is only partly outside of us; if we have nothing of it inside of us, it hardly exists. These are palliative measures, ineffective with a sick man who thoroughly knows his illness and understands that it cannot be cured. A three-week interruption of my work was very agonizing; only from its resumption do I expect any well-being.

If Herr Hoffman v. Fallersleben can be cheerful, he does well to venture to be so. If a person can exercise his will to the extent of determining upon a cheerful mood, I have greater respect for his caprice than inclination toward the result of his will, for a cheerfulness which I am to arrange myself would not particularly comfort me.

I am eager to learn what prevents H. v. Fallersleben from being cheerful, inasmuch as with him it depends only on venturing: perhaps the "political conditions"? Lucky man! — Let us let him be, and let us remain sad to our hearts' content!!

I cannot report anything else about myself except that I am glad to be able to continue with the first act of Die Walküre in the next few days; everything preceding this continuation was a lifeless vacuum. — So I shall not see you this year?

Remember me to the Child — and do not be angry that I somewhat disturbed your becoming cheerful! Yet — you, after all, have only reason to be cheerful; with you, there still are people, and, at the most, things can annoy you. I can, alas, help myself only with things — and if even these are getting irksome, that is indeed too much of sad irony!

Farewell, dear Conductress!

Your

Musician

Zurich

July 28, 1854

In the first sentence of the above letter, Wagner mentions that he has just returned to Zurich from a trip, and, in the last sentence of the second paragraph, indicates that he has been away about three weeks. He had been invited to conduct a musical festival at Sion (German Sitten) in the canton of Valais, Switzerland. He flatly declined to do all the conducting, but reluctantly agreed to direct Beethoven's *Seventh Symphony* on July 12 as a part of one of the gala concerts. On July 3, 1854, he wrote Liszt that he would leave Zurich that same day (July 3).³ He reached Sion July 8, after stopping on the way for a visit at the home of a friend, Karl Ritter, who had recently been married and, with his wife, was "very

³ Wilhelm Altmann, ed., *Letters of Richard Wagner*, translated by M. M. Bozman (London and New York, 1927), I, 268.

• leben, liebe Kapellmeisterin, bin
ich erst wieder in Zürich angekommen.
Das gewünschte Kommando kommt
erst heute Ihnen zu senden:
abzugeben Sie da her! —

Ich war eine kurze Zeit am Jenfer
See, und schlussendlich auf einem Boot
am Versaillethaler-See, Barmsee
gegenüber. Wundervolle Natur —
Der See doch bald gleichgültig wieder
den Thoren weichen! Auch die Natur
ist nun zum Theil ausser uns,
man weiß in uns und nicht so davon
haben, ist sie fast ganz
da. Das sind solche Balladevornüch
die bei einem Kränzen nicht mehr
ausklagen, der seine Kränzen
gündlicher kommt, und bezeugt, dass
sie nicht zu heilen ist. Eine drei-
wöchentliche Unterbrechung unserer
Arbeit was uns sehr geistlich:
ich verhoffe uns nur von einer Wieder-
aufnahme etwas Wohlbefinden.
Wenn Herr Kaffern. v. Fallensleben
so wenig fähig zu sein, so kann
er sehr recht, wenn es auch, wagt.

Wenn des neuen Willens Entscheidung nicht, dass
 dass es auch eine frühere Stimmung
 sich ansetzen kann, von dessen
 Willen habe ich großen Regret
 als Neigung zu dem Entfalle des
 Willens, ich habe trübselig, die
 ich mich selbst annehmen soll, nicht
 nicht sonderlich empfinden dürfte.
 Ich bin bereit zu erfahren, was
 H. v. Fallenberg demgegenüber
 verstanden, frohlich zu sein, da
 es ihm dabei nur auf das Wagnis
 ankommt: vielleicht die Gefahr,
 oder Gefahr? Der Gefahr! —
 lassen wir ihn, und bleiben wir
 nach Mergenslust traurig! —

Ich kann Ihnen von mir gar nicht
 wissen wollen, als dass ich froh
 bin, in den nächsten Tagen am
 ersten Abte der Waldbühne fort-
 fahren zu können: Alles, was
 diesem Fortfahren voranging, war
 eine lebenslose Oede. Ich schreibe
 es also dieses Jahr nicht —

Ganzem Liebes Kind — und deren
 Eltern nicht, doch, dass ich Sie etwas
 im Mutterwunder gelobt habe!
 Doch — Sie haben dem Ende doch
 mein Freund zum Mutterkiss: bei

Esz haben sich doch die Meinungen,
 und Korrekturen die Sachen in
meiner Lie. Ich kann mich selbst
 selbst un- und Sachen helfen -
 und wenn dann diese noch unbegreiflich
 werden, so ist es wahrscheinlich der
 künftigen Form zueigen. -

Allen Sie wohl, liebe
 Kapellmeister.

Ja

Musikant

Wagner
 28 Juli 1854

prettily lodged on the Lake of Geneva"⁴ (at or near Montreux). By the evening of July 10, he had become so disgusted with the inadequacy of the orchestra and with other circumstances that he left abruptly about ten o'clock that night with the first post-chaise—even before the only actual rehearsal which had been provided for.⁵ In *Mein Leben*, he says that, after spending a few days at Lausanne, he paid another visit to the Ritter home, then went via Vevey to Lausanne (partly on foot), and from there traveled via Berne to Seelisberg [a resort on the Lake of Lucerne], where Minna was taking "a sour-milk cure" for her heart disease and where he then made "daily excursions into the mountains."⁶ He adds that he there "endured several weeks of life at a Swiss *pension*,"⁷ and, in a letter to Hans von Bülow in August of 1854, he states that he spent a fortnight on the Seelisberg⁸; but the time could not have been more than ten days and probably was only six days. In the letter to Minna on July 17, 1854, he announces that he will arrive at the resort to join her on "the 22nd or at latest the 23rd."⁹ In *Mein Leben*, he reports that he and his wife reached Zurich "towards the end of July,"¹⁰ and Ellis concludes that they "returned to Zurich by the beginning of August."¹¹ The present letter, however, indicates definitely that they were back by July 28, the date of the writing; the word "soeben" in the first sentence implies that they had arrived that very day (unless Wagner used the word elastically enough to apply to the previous day).

⁴ Letter to his first wife, Minna, July 10, 1854, in William Ashton Ellis, ed., *Richard to Minna Wagner: Letters to His First Wife* (New York, 1909), I, 136-37. In this letter (written at Sion), he says that he "spent a day with them—unfortunately in pouring rain." The leading Wagner biography—Ernest Newman's *The Life of Richard Wagner* (New York, 1933-46), II (1937), 427—gives the length of the visit as "a week." To be sure, Wagner himself later in *Mein Leben* refers to "the week" which he "spent with this young couple" (*My Life* [London, 1911], II, 612), but he probably includes the visit which he paid on his return trip; or, after the lapse of fifteen to twenty-five years, he had become hazy on details. The first visit could not have lasted more than four days, for he arrived at Sion on the fifth day after leaving his home, and the trip from Zurich to Montreux must have required at least a day (for instance, in a letter to Minna on July 17 [Ellis, *op. cit.*, I, 141], he states that he expects to leave Montreux in the evening of July 18 and to be in Zurich by the night of July 19).

⁵ Letter to Minna, July 13, 1854, in Ellis, *op. cit.*, I, 139-41.

⁶ *My Life*, II, 613-14.

⁷ *Ibid.*, II, 614.

⁸ Altmann, *op. cit.*, I, 269.

⁹ Ellis, *op. cit.*, I, 142.

¹⁰ *My Life*, II, 614.

¹¹ Ellis, *op. cit.*, I, 143.

The second and the fifth paragraphs of the present letter show how eager Wagner was to work on the music of *Die Walküre*, the second part of *Der Ring des Nibelungen*—how relentless was the drive urging him toward composition. He had begun the music of *Das Rheingold*, the second part of *Der Ring*, on November 1, 1853, and completed it (except the orchestration) on January 14, 1854. While still working on the scoring of *Das Rheingold*, which he finished on May 28 of the same year, he had begun the music of *Die Walküre* on January 14. When interrupted by the trip to Sion, he was (according to a notation on his original musical manuscript) in the second scene of Act I of *Die Walküre* at the point where Sieglinde has said, "Gast, wer du bist wüsst ich gern." In the letter, Wagner says that he expects to resume the musical composition of *Die Walküre* within a few days, and he did so on August 3 (the sixth day after writing the letter). The music (except the orchestration) for Act I was completed by September 1, and for the whole of *Die Walküre* by December 27.

The present letter gives a very vivid and emphatic account of Wagner's emotional state while he was composing *Die Walküre*, which is regarded by most musical authorities as one of his most important works, and by some as the greatest opera ever produced. In 1853—when he was trying hard to begin the composition of the music for *Das Rheingold* but for a long time was unable to make a start of putting it into definite form—he was in very poor health (especially being in a bad neurotic condition) and was in the depths of despondency.¹² He himself declares in *Mein Leben* that, after the orchestral prelude to *Das Rheingold* suddenly came to him while he was lying on a couch in a hotel at Spezia in "a kind of somnolent state,"¹³ and after the composition of the music of *Der Ring* was finally progressing satisfactorily, his health became much better: "I remember how much my health improved during the writing of this work; and my surroundings during that time consequently left very little impression on my mind."¹⁴ The new letter, however, indicates that, in spite of his great zest for composing, he was still extremely depressed in July of 1854. He not only has decided that communion with Nature cannot help him and that he is incurable, but he does not even want to become cheerful. In this connection he expresses

¹² Newman, *op. cit.*, II, 381-95.

¹³ *My Life*, II, 603.

¹⁴ *Ibid.*, II, 611.

the view that Nature is subjective as well as objective.

Hoffmann von Fallersleben (third and fourth paragraphs) was August Heinrich Hoffmann (1798-1874)—German poet, philologist, and literary historian—who is best known today as the author of the words of "Deutschland, Deutschland über Alles" (written at Helgoland on August 26, 1841). He was "among the earliest and most effective of the political poets who prepared the way for the revolutionary movement of 1848."¹⁵ In 1842 he was deprived of his professorship at Breslau in consequence of his *Unpolitische Lieder* (1840-41), which gave offense to the Prussian authorities, but after the revolution of 1848 he was permitted to return to Prussia. In 1854 he was invited to Weimar to edit with Oskar Schade the *Weimarische Jahrbuch* (1854-57), and George Eliot reports that she met him at a breakfast at the home of the Princess and Liszt during the English novelist's visit to Weimar in the period of August to October of 1854.¹⁶ Whether the mistress of Altenburg communicated to Hoffmann Wagner's remark about him does not seem to be recorded. (Perhaps Wagner was discussing a personal comment made by Hoffmann and relayed to the composer by the Princess.) Because Wagner too was a political refugee (since 1849, when he fled from Dresden to Zurich to avoid arrest), his apparent lack of sympathy with Hoffmann may seem amazing at first thought; but we know that he was eager to avoid the suspicion of still being connected with or even interested in politics, inasmuch as he longed to return to Germany. For instance, Liszt, while visiting Wagner in Zurich in July of 1853, wrote to the Princess that Wagner had assured him of not having any dealings with other refugees or with politics.¹⁷

Wagner's complaint in the last paragraph that he does not have people about to cheer him presumably has reference to his growing loneliness in Zurich. According to various letters of 1852 and the next few years, he felt that he did not have sufficient intellectual and artistic companionship in that city.¹⁸

As Wagner mentions in *Mein Leben*, "Das Kind" (first sentence of the last paragraph) was his customary designation for Marie, the daughter of the Princess,¹⁹ although, at the time of the letter, the girl

¹⁵ *Encyclopaedia Britannica*, 11th Ed. (Cambridge, Eng., 1910), XIII, 561.

¹⁶ George Eliot, *Works: Life and Letters* (New York, 1884), I, 176.

¹⁷ Cf. Newman, *op. cit.*, II, 377, 384.

¹⁸ *Ibid.*, II, 381-82, 523-24.

¹⁹ *My Life*, II, 606.

was already seventeen or within a few months of that age. In 1859 she was married to Prince Konstantin Hohenlohe and thereafter lived in Vienna.

LETTER 2

On March 15, 1877, Wagner signed a contract with Hodge and Essex, an ambitious and over-optimistic young London firm of concert managers, to come to London to supervise and partly conduct six concerts of his music during the following May. He was promised £1,500, provided that this sum would be realized in profits. Though warned by various people against the project, he was so eager to raise money for the deficit incurred in the Bayreuth festival of 1876 that he accepted. The large Albert Hall was secured, an orchestra of 170 pieces was assembled, and Materna, Hill, Unger, and other prominent singers were engaged. Wagner himself was to conduct the first part of each concert, and Hans Richter the second. For this third and last visit to London, he arrived on April 30 or May 1. Artistically the concerts were reasonably successful, but financially they resulted in a personal loss to him; and his strength was exhausted by the tremendous strain of the work and worry. Leaving London on June 4, he went to Ems in Germany for a "cure" and rest for about a month.

The following hitherto unpublished letter—dated June 18, 1877, at Ems—indicates (1) that, even before his near collapse, Wagner had in mind to take the "cure" at Ems but that he went earlier than he had originally planned, (2) that during his stay in the British metropolis he conversed at the famous Athenaeum Club and enjoyed other hospitality there, and (3) that he hoped to return to London:

Bad Ems. 18 Juni 77

Geehrtester Herr!

Sie werden längst erfahren haben, dass Ihre so freundliche Einladung mich nicht mehr in London antraf. Verzeihen Sie, dass ich forting, ohne mich Ihnen zuvor empfohlen zu haben, entschuldigen mich aber gütigst in Erwägung der grossen Ermüdung, unter deren Drucke ich endlich beschloss, sofort eine vorgenommene Cur anzutreten.

Hoffentlich kehre ich wieder nach London zurück, und freue mich dann, Ihrer lebenswürdigen Einladung, für welche auch meine

Bad Ems. 18 Juni 78.

Geehrtester Herr!

Ich werden längst erfahren haben, dass Ihre so freundliche Einladung mich nicht mehr in London auftraf. Verzeihen Sie, dass ich fortging, ohne mich Ihnen zuvor empfohlen zu haben, entschuldigen mich aber glücklich in Erwägung der grossen Eindrücke, welche denen Drücke ich endlich beschloss, sofort eine vorläufige Besichtigung zu unternehmen.

Hoffentlich kehre ich wieder nach London zurück, und freue mich dann, Ihrer liebenswürdigen Einladung, für welche auch meine Frau Ihnen herzlich dankt, Folge leisten zu können.

Für alle Fälle erlaube
 ich mir aber schon heute
 Ihnen meinen verbindlichsten
 Dank für das so schnelle
 und geneigte Entgegenkom-
 men, welches Sie mir in
 London zu Theil werden
 lassen, auszusprechen, sowie
 Sie zu bitten, mich dem
 geachteten Herrn, mit dem
 Sie uns im Abhausem-bleib
 (dessen Ordre ich mich ausser-
 dem so sehr verpflichtet bin.)
 vorzüglich unterzuhalten,
 bestens zu empfehlen.
 Mit den herzlichsten
 Grüßen
 Ihr
 ergebener
 Richard Wagner

Frau Ihrer werthen Gemahlin bestens dankt, Folge leisten zu können.

Für alle Fälle erlauben Sie mir aber schon heute Ihnen meinen verbindlichsten Dank für das so ehrende und gencigte Entgegenkommen, welches Sie mir in London zu Theil werden liessen, auszusprechen, sowie Sie zu bitten, mich den geehrten Herren, mit denen wir uns im Athenäum-Clubb (dessen Directorium ich ausserdem so sehr verpflichtet bin!) vortrefflich unterhielten, bestens zu empfehlen.

Mit den herzlichsten Grüssen

Ihr

ergebenster

Richard Wagner

English translation—

Bad [Bath] Ems, June 18, 1877.

Most Honored Sir!

You have probably learned long ago that your kind invitation no longer reached me in London. Excuse my going away without saying goodby to you; please pardon me in view of the great fatigue under the pressure of which I finally made up my mind to begin immediately a cure that I planned to take.

I hope to return to London and shall be glad then to take advantage of your very kind invitation, for which also my wife thanks your wife.

In any event, permit me to thank you already today most heartily for the honoring and obliging friendliness which you showed me in London, and to ask you to remember me to the honored gentlemen with whom we had such interesting conversation at the Athenaeum Club (to the Directory of which I am, besides, deeply obliged!).

With the most cordial greetings,

Your

devoted

Richard Wagner

The above letter indicates that Wagner has received an invitation from the addressee; evidently the composer and his wife (Minna had died in 1866, and he had married Cosima in 1870) have been invited to the home of the London friend for dinner, inasmuch as Cosima sends thanks to the addressee's wife. Who the recipient of the letter was, however, does not seem ascertainable. Wagner's correspondent is not named on the manuscript of the letter itself, the envelope has disappeared, and the content does not contain sufficiently definite clues to identify the man. About all that can be said is (1) that he was a married man living in London, (2) that he was well enough acquainted with the Wagners (especially Richard) to invite them to dinner and to extend other courtesies to them but not associated so closely as to learn immediately that they had left London, and (3) that he probably was a member of the Athenaeum Club (presumably a rather prominent one) and either introduced Wagner there or met him there. Edward Dannreuther, probably Wagner's closest London friend at the time, is precluded, for the Wagners had been living in his home during their five-week stay in London, so that he must have known that they had left the city. Alfred Forman, who had helped in securing a dragon, a bear, and other stage properties for the 1876 Bayreuth festival from a British manufacturer²⁰ and to whom the remaining two of the present group of new Wagner letters are addressed (one dated 1873 and the other 1878), is a possibility, but no specific evidence points to him. In fact, the recipient of the letter may have been someone of whose association with Wagner we now have no other record.

LETTER 3

In 1877 an English translation of *Der Ring des Nibelungen* in alliterative verse by Alfred Forman (died 1925) was published in London. The following new Wagner letter (written at Bayreuth on September 15, 1873, and addressed to Forman at 28 Mark Lane, London) shows that this man had translated a Wagnerian opera at least as early as 1873:

Geehrter Herr,

Der Englischen Sprache zu meinem grössten Bedauern unkundig, ist es mir leider nicht vergönnt den litterarischen and den dichterischen Werth Ihrer Arbeit zu ermessen, doch haben mir bereits be-

²⁰ Newman, *op. cit.*, IV (1946), 475, n. 19.

freundete und besser als ich unterrichtete Menschen gesagt, wie vorzüglich Ihre Arbeit sei, und neben dieser Mittheilung, habe ich auch die Freude sehr wohl selbst ermessen zu können welchen Eifer und welche Liebe Sie zu diesem Werk [Werk is written over Arbeit, and diesem seems changed from dieser] getrieben, und bis zu dessen [dessen seems changed from deren] Vollendung beseelt haben. Für diesen Eifer und diese Liebe sage ich Ihnen meinen wärmsten Dank, und soll es mich sehr freuen wenn Sie diese schöne Arbeit dem Wagner-Verein und insbesondere meinem Freund Herrn Dannreuther übergeben.

Mit dem Wunsch und in der Hoffnung Sie in Bayreuth zu begrüßen zeichne ich als Ihr

Hochachtungsvoll ergebener

Richard Wagner

Bayreuth

15 September 1873.

English translation—

Honored Sir,

Because, to my great regret, I do not have a knowledge of the English language, I am, unfortunately, not able to judge the literary and poetic value of your work, but certain friends who are better informed than I am have already told me how excellent your work is, and, besides such information, I have also the pleasure of judging for myself what zeal and love started you on this work and inspired you to its completion. For this zeal and this love, I give you my warmest thanks, and it would afford me great joy if you would give this beautiful work to the Wagner Society and especially to my friend Mr. Dannreuther.

With the wish and the hope to see you in Bayreuth, I sign as your

Respectfully devoted

Richard Wagner

Bayreuth

September 15, 1873.

The use of the words "den litterarischen und den dichterischen Werth Ihrer Arbeit" and the request that Forman give the work to the Wagner-Verein imply that the discussion is about the translation of an opera of Wagner. In view of the publication of Forman's translation of *Der Ring* four years later, the reference presumably is to that work. The letter reveals that Wagner is highly pleased with the translation: not having a good command of English, he cannot judge the literary and poetic value himself, but he has been informed by others that the quality is very good. By the Wagner-Verein he means the one in London, for he associates it with Professor Edward Dannreuther (1844-1905) as the most important member; this man had founded the Wagner Society in London the previous year (1872). As already mentioned above in connection with letter 2, Dannreuther probably was Wagner's closest London friend at the time. Born in Germany in 1844, he went to London in 1863, where he became prominent as a pianist, teacher, and conductor as well as a lecturer and writer on musical subjects. He was an ardent advocate of Wagner's music in England. Among his publications are *Musical Ornamentation* (the standard work on the subject), "Richard Wagner, His Tendencies and Theories," "Richard Wagner and the Reform of the Opera," and the Wagner article in George Grove's *Dictionary of Music and Musicians* (1879-89, 1890.)²¹ He also made English translations of Wagner's "Beethoven," "The Music of the Future," and "On Conducting."

At the end of the letter Wagner urges Forman to come to Bayreuth. The famous composer had moved there in 1872, but the first Bayreuth festival did not take place till 1876.

LETTER 4

In 1899 Alfred Forman published an English translation of the words of Wagner's *Parsifal*. That he began the work before August 23, 1878, is indicated by a new letter of Cosima Wagner—written at Bayreuth on that date and addressed to Forman at 26 Lorrimore Square, London, S. E. (This was even before Wagner had completed the music, for he did not finish the sketch of the music till April 26, 1879, and the orchestration till January 13, 1882.) Cosima's letter implies that Forman had sent a translation of a part of the libretto to Wagner for examination and criticism. She says that,

²¹ London and New York: Macmillan and Company (4 vols.).

because her husband does not understand English, he has referred the matter to her. So far as she can judge, the translation is very good except that some words, which she has underscored, do not seem to render the exact meaning of the original. She recommends that he confer with Mr. and Mrs. Dannreuther for advice in this respect. The letter, which is in English, reads as follows:

Dear Mr. Forman,

My husband does not understand english, as you know, therefore he gave me the extract of "Parsifal" which seems very good indeed, as far as I can judge. I am quite sure that Mr. and Mrs. Dannreuther would be the best advisers to you in this concern, and I only underline the words which does [sic] not seem to render quite the sense of the original, without remark. My husband sends many thanks to you, and we join in best regards!

C. Wagner

August 23, 1878.

Forman also translated Wagner's *Tristan und Isolde* into English (1891). Among his other works are *The Metre of Dante's Comedy Discussed and Exemplified* (1878) and the introduction for an edition of Percy B. Shelley's *The Cenci* (1886).

PRICE LIST OF SEPARATE NUMBERS
RESEARCH STUDIES of the STATE COLLEGE OF WASHINGTON

Vols. I-X. See pp. 225-29 of Vol. XVIII, No. 4.

Vol. XI (1943), No. 1. The Social Functions of War, *Elon H. Moore*. The Impact of War on Population, *Constantine Panunzio*. Factors Conditioning Productivity and Morale of Wartime Shipyard Workers, *Joseph Cohen*. Familial Problems and the Japanese Removal, *Leonard Bloom*. A Study of the Social Unadjustment Problems of a Selected Group of Junior College Girls, *Pearl E. Clark*. The Integration of Foreign Groups, *Marianne W. Beth*. The Role of News in the Creation of a Post-War World Community, *Carl F. Reuss*. Divorce in Oregon, *William C. Smith*. The Changing Age Structure in the Population of Cities, *Frederick A. Conrad*. Intensive Non-Directive Interviewing as a Method in Social Research, *Joel V. Berreman*. Experimental Criminology, *C. W. Topping*. Financial Statement of Pacific Sociological Society. 48 pp. Price.....\$0.50

No. 2. The Genus *Atanycolus* Foerster in America North of Mexico, *Roy D. Shenefelt*. Effects of Lime on the Reaction, Base Saturation, and Availability of Plant Nutrients in Certain Western Washington Soils, *Laraine E. Dunn*. 120 pp. Price\$1.00

No. 3. George Turner, Attorney-at-Law, *Claudius O. Johnson*. The Narrative Structure of Browning's *The Ring and the Book*, *B. R. McElderry, Jr.* The Plain Dealer in the Eighteenth Century, *Emmett L. Avery*. Lessing's Intention in *Der Dorffunker*, *Paul P. Kies*. 96 pp. Price.....\$0.90

No. 4. Some Repercussions of the New Orleans Mafia Incident of 1891, *J. Alexander Karlin*. France and the Balkan Crisis of 1885-86, *Winston B. Thorson*. 40 pp. Price\$0.50

Vol. XII (1944), No. 1. Human Relations in Forestry, *Glen E. Carlson*. Retributive Justice as a Check to Future Wars, *Richard T. LaPiere*. Rural Reactions to War Measures, *E. D. Tetreau*. Assimilation of Wartime Migrants into Community Life, *Carl F. Reuss*. Prisonization and the WRA Camps, *Leonard Bloom*. Religious Cooperation in Wartime, *Philip M. Smith*. Official Reports, *Pacific Sociological Society*. 48 pp. \$0.60.

No. 2. The Botanical Collections of Wilhelm N. Sukdorf, 1850-1932, *William A. Weber*. The Theme of Desertion in Wordsworth, *Karl G. Pfeiffer*. 80 pp. \$0.90.

No. 3. The Reputation of Wycherley's Comedies as Stage Plays in the Eighteenth Century, *Emmett L. Avery*. Joseph Conrad's Critical Views, *Walter F. Wright*. The Rise of the Wisconsin Timber Baronies, *John L. Harr*. 64 pp. \$0.70.

No. 4. A Revision of the Genus *Gaillardia*, *Susann Fry Biddulph*. Charles de Freycinet, French Empire Builder, *Winston B. Thorson*. 80 pp. \$0.90.

Vol. XIII (1945), No. 1. Sociologists, What Now? *William C. Smith*. Pre-War and Wartime Migration to Seattle, *Calvin F. Schmid*. Too Many Workers—A Post-War Labor Problem, *Walter C. McKain, Jr.* Sociologists and the Army Language and Area Studies, *Ray E. Baber*. Problems of the Veteran Returning to a Subsistence-Farm Area, *Charles E. Hutchinson*. How Can Sociology Contribute to the Socialization of Attitudes and of Personality in the Post-War World? *Bessie Averde McClenahan*. Official Reports of the Pacific Sociological Society. 48 pp. Price\$0.75

No. 2. Blueprint of the Nazi Underground—Past and Future Subversive Activities, *Robert M. W. Kempner*. The Authorship of *The Fatal Extravagance*, *Paul P. Kies*. 112 pp. Price.....\$1.00

No. 3. Milton's Prelapsarian Adam, *Murray W. Bundy*. The Ethical Ideas of Timothy Dwight, *Lewis E. Buchanan*. 40 pp. Price.....\$0.50

No. 4. Conrad's *The Rescue* from Serial to Book, *Walter F. Wright*. A Tentative Calendar of Daily Theatrical Performances, 1660-1700, *Emmett L. Avery*. 88 pp. Price\$1.00.

Vol. XIV (1946), No. 1. Inquisition Papers of Mexico, I, *J. Horace Nune-maker*. A Note on the Authorship of *The Fatal Extravagance*, *Paul P. Kies*. Curry County, Oregon: The Geography of an Isolated Coast, *Willis B. Merriam*. 96 pp. Price.....\$1.00.

No. 2. Present Trends in Race Relations, *Ray E. Baber*. An Outline of Japanese War Propaganda to Occupied Areas, *Joel V. Berreman*. Evacuation of Japanese from the Pacific Coast: Canadian and American Contrasts, *Robert W. O'Brien*. The Rural Rehabilitation Program as an Instrument of Social Change, *Olaf F. Larson*. Wartime Trends in the Population of the State of Washington, *Calvin F. Schmid*. Crime and Punishment among Minority Groups in Los Angeles County, *Edwin M. Lemert*, *Judy Roseberg*. Housing Problems of Minority Groups in Los Angeles County, *Charles B. Spaulding*. Racial Tensions among Japanese in the Intermountain Northwest, *Tolbert H. Kennedy*. Wartime Rural Migration, Western Speciality Crop Areas, *H. Otto Dahlke*. 64 pp. Price.....\$0.80.

No. 3. Racial Survey of the Intermountain Northwest, *Tolbert H. Kennedy*. Notes on Millay's *The King's Henchman*, *Paul P. Kies*. 88 pp. Price.....\$1.00.

No. 4. The Composition and Early Stage History of *Masks and Faces*, *Donald H. MacMahon*. Religious Observance of State College of Washington Students, *John B. Edlefsen*. 40 pp. Price.....\$0.50.

Vol. XV (1947), No. 1. Inquisition Papers of Mexico: II. The Trial of Luis de la Cruz, 1656, *Josephine Yocum McClaskey*. New Sources for Pope's Eclogues? *Leslie M. Oliver*. 112 pp. Price.....\$1.25

No. 2. Some Remarks on Sociological Theory and Sociological Research. *Calvin F. Schmid*. Wartime Private Residential Construction and Residential Land-Use Trends in the Seattle Metropolitan Area, *Joseph Cohen*. Attitudes toward Euthanasia, *Thomas D. Eliot*. Social Characteristics of Taxi-Dancers, *Clyde B. Vedder*. An Integration of the College Marriage Course, *Carlo L. Lastrucci*. A Survey of Some Changes in the Seattle Japanese Community since Evacuation, *S. Frank Miyamoto* and *Robert W. O'Brien*. The Future Development of Industrial Sociology, *Delbert C. Miller*. Field Experiments in Sociology, *Julius A. Jahn*. Predicting Success or Failure in Marriage, *Harvey J. Locke*. Members of the Pacific Sociological Society. 64 pp. Price.....\$0.80

No. 3. Pure Painting, *Worth D. Griffin*. History and Development of School Finance in Washington, *Zeno B. Katterle*. A Probable Borrowing by Coleridge from *The Seasons*, *Herbert E. Arntson*. 32 pp. Price.....\$0.50

No. 4. The Genus *Allium* in Arizona, *Marion Ownbey*. The American Press and the Rhineland Crisis of 1936, *Winston B. Thorson*. A Scientific Inaccuracy in Some Recent Plays, *Paul P. Kies*. 56 pp. Price.....\$0.75

Vol. XVI (1948), No. 1. Sociology in the Perspective of a Quarter-Century, *Richard T. LaPierre*. Predicting Success or Failure in Marriage, *C. W. Topping*. An Appraisal of Some Methodological Aspects of *Sexual Behavior in the Human Male*, *Paul Wallin*. Some Aspects of a General Theory of Sociopathic Behavior, *Edwin M. Lemert*. Prediction of Marital Adjustment of Divorced Persons in Subsequent Marriages, *Harvey J. Locke* and *William J. Klausner*. Problems in Public Polling, *J. E. Bachelder*. A Factual Study of Certain Washington School Children in Relation to Commercial Motion Pictures, *T. H. Kennedy*. New Patterns in Old Mexico, *Norman S. Hayner*. Self-Appraisal by Rural and Urban Youth of Their Preparedness for Adult Roles, *L. J. Elias*. Professors in Retirement, *Elton H. Moore*. Members of the Pacific Sociological Society. 64 pp. Price.....\$1.00

No. 2. The Chronology of Wyclif's English Sermons, *Margaret Wallace Ransom*. The Historical Geography of the Rogue River Valley, Oregon, *Willis B. Merriam*. 56 pp. Price.....\$0.75

Nos. 3-4. The Farmers' Alliance in Washington, *Fred R. Yoder*. Lowell and the Two Doras, *Paul P. Kies*. 68 pp. Price.....\$1.25

Vols. XVII-XX, No. 1. See "Contents and Index" of the present volume (Vol. XVII) and the following page.

RESEARCH STUDIES OF THE STATE COLLEGE OF WASHINGTON

Volume XVII

1949



Published by The State College of Washington
Pullman, Washington

RESEARCH STUDIES
of the
STATE COLLEGE OF WASHINGTON

EDITOR-IN-CHIEF

PAUL P. KIES, *Professor of English*

ASSOCIATE EDITORS

CARL M. BREWSTER
Professor of Organic Chemistry

CARL I. ERICKSON
Professor of Psychology

HERMAN J. DEUTSCH
Professor of History

HERBERT L. EASTLICK
Associate Professor of Zoology

Entered as second-class matter December 26, 1936, at the post office at Pullman, Washington, under Act of August 24, 1912.

Research Studies of the State College of Washington is published in Pullman, Washington, by the State College of Washington. It is issued four times a year—in March, June, September, and December.

PURPOSE. *Research Studies* is a medium of publication for articles of research in the pure sciences and arts, being limited to material making a contribution to knowledge. Its pages are open to the faculty and the advanced students of the State College of Washington. One issue each year is devoted to papers read by members of the Pacific Sociological Society at its annual convention. Suitable articles by other persons are accepted whenever space is available.

MANUSCRIPTS. Authors who wish to publish in *Research Studies* should submit their manuscripts to Paul P. Kies, Room 305, College Hall, Pullman, Washington. Though no strict limit is set as to the maximum number of pages or the nature or number of illustrations, authors are reminded that the papers must be actual research. Long introductions, unnecessary comments, and repetitions are not acceptable. Authors who will assume the expense may arrange for the inclusion of extra pages, tables, or illustrations.

SUBSCRIPTIONS. *Research Studies* will be mailed postpaid to subscribers for three dollars a year. Subscriptions are payable in advance to *Research Studies*, Correspondence Office, State College of Washington, Pullman, Washington, U. S. A.

EXCHANGE. *Research Studies* is offered in exchange to other colleges, universities, learned societies, and libraries. Publications sent in return should be addressed to the Exchange Department, Library, State College of Washington, Pullman, Washington, U. S. A. At present, all back numbers and title pages can still be supplied.

SINGLE NUMBERS. Single numbers will be sold or exchanged as long as available; orders should be addressed to *Research Studies*, Correspondence Office, State College of Washington, Pullman, Washington, U. S. A. For prices of back numbers (with the list of articles in each number), see pages 227-28 of the present volume (Vol. XVII, No. 4), the page after the "Contents and Index" of the present volume, and pages 225-29 of Vol. XVIII, No. 4.

CONTENTS AND INDEX OF VOLUME XVII (1949)

Page

<i>Bee, Lawrence S.</i> : A Partial Analysis of 2386 Divorces Granted in Multnomah County (Portland), Oregon, During 1942	18
<i>Bendix, Reinhard</i> : Primitivism, Authority, and "Human Relations"	29
<i>Bloom, Leonard</i> : The Ethnic Referent	55
<i>Bowerman, Charles E.</i> : The Concept of Marital Adjust- ment Areas	45
<i>Campbell, Claude A.</i> : The Old National Bank of Spokane, Part A	73
<i>Campbell, Claude A.</i> : The Old National Bank of Spokane, Part B	135
<i>Carpenter, David B.</i> : Population Pressure in Japan	51
<i>Faris, Robert E. L.</i> : Consequences of the Partial Loss of Continuity in Society	40
<i>Foskett, John M.</i> : The Frame of Reference of Ward's Dynamic Sociology	35
<i>Kies, Paul P.</i> : A Comment of Shaw on the Atomic Bomb	132
<i>Kies, Paul P.</i> : Four New Wagner Letters	209
<i>Kies, Paul P.</i> : Mrs. Le Vert Visits the Brownings	67
<i>Lipset, S. M.</i> : Bureaucracy and Social Reform	11
<i>Locke, Harvey J.</i> : Empirically Tested Principles of Social Behavior	3
<i>Pacific Sociological Society</i> : Members	62
<i>Scaff, Alvin H.</i> : Humor and Morale in Internment Camps	23

PRICE LIST OF SEPARATE NUMBERS RESEARCH STUDIES of the STATE COLLEGE OF WASHINGTON

Vols. I-X. See pp. 225-29 of Vol. XVIII, No. 4.

Vols. XI-XVI. See pp. 227-28 of the present volume (Vol. XVII, No. 4).

Vol. XVII. See the previous page.

- Vol. XVIII (1950), No. 1. The Genus *Allium* in Idaho, *Marion Ownbey*. The American Press and the Munich Crisis in 1938, *Winston B. Thorson*. 68 pp.\$0.90
- No. 2. A Review of the Genus *Psilocarphus*, *Arthur Cronquist*. An Experiment in Student Dishonesty, *Paul P. Kies*. Effectiveness of Graduate Assistants in Teaching Freshman Composition, *Paul P. Kies*. 32 pp. Price.....\$0.50
- No. 3. Human Values—A Research Program, *George A. Lundberg*. A Continuum of Scientific Reliability, *Harvey J. Locke*, *Helen P. Beem*. The Effect of the Format upon the Scale Values of the Bogardus Social Distance Scale, *Clay Franklin*. Leadership in Small Work Groups, *Delbert C. Miller*, *James Reilly*, *Virginia Hertler*. Formulation and Testing of an Interaction Hypothesis, *Joseph A. Cavanaugh*. Social Class and Emotional Instability, *Joel B. Montague*. The Escape Motive in Alcoholic Addiction, *Joel V. Berreman*. Some Elements in a Theory of Small Groups, *John James*. Alcoholic Addiction as a Sociogenic Personality Disorder, *Milton Maxwell*. Population Analysis for Planning Small Areas, *Robert C. Schmitt*. How to Measure Values, *Stuart Carter Dodd*. 72 pp. Price.....\$1.00
- No. 4. Roister Doister's Assault on the Castle of Perseverance, *Frank Towne*. The Genus *Allium* in Texas, *Marion Ownbey*. An Unpublished Letter of Elizabeth Barrett Browning, *Paul P. Kies*. 64 pp. Price.....\$0.90

- Vol. XIX (1951), No. 1. Orthogenesis in Evolution, *Arthur Cronquist*. Integration in the Teaching of Freshman Composition, *Paul P. Kies*. Thomas Telford: Southey's Colossus of Roads, *Sara Ruth Watson*. 64 pp.\$0.90
- No. 2. Toward a Cumulative Social Science, *Leonard Broom*. The Use of a College Sample in Public Opinion Research, *Donald S. Ross*, *Herman M. Case*. The Dilemma of Drug Law Enforcement, *Alfred R. Lindesmith*. Area Sampling Applied to a Survey of Ethnic Groups in Seattle, Washington, *Julius A. Jahn*. The Experience of Vertical Mobility and Personal Values, *Ralph H. Turner*. Are Classical Sociological Factors Myths? *J. E. Bachelder*. The Uses of Sociological Modes in Depicting Group Relationships, *Delbert C. Miller*. Conflict in Attitudes Toward the Marital Roles of Husband and Wife, *Alver H. Jacobson*. Symptomatic Data in Population Estimates, *Carl H. Frisén*. Student Evaluation of an Introductory Sociology Course, *Vernon Davies*, *Wallis Beasley*. Selective Migration in the Distribution of Urban Psychotics, *Bernard C. Kirby*. An Interactional Approach to Intergroup Conflict, *Frank Miyamoto*. Clique Organization in a Small Industrial Plant, *John James*. Characteristics of Cliques in Office Organizations, *Edward Gross*. 72 pp.\$1.00
- No. 3. Washington's Popular Primary, *Daniel M. Ogden, Jr.* The Beginnings of the Devotio Moderna in Germany, Part I, *William M. Landeen*. The Pleiades: Indian and Greek Versions, *Ella E. Clark*. 68 pp.\$0.90
- No. 4. A Modern Analysis of the Design Argument, *Wesley C. Salmon*. The Beginnings of the Devotio Moderna in Germany, Part II, *William M. Landeen*. 56 pp.\$0.90

- Vol. XX (1952), No. 1. Some New Species of Usilaginales from North America, *George W. Fischer*. *Tilletia Brevifaciens* sp. nov., Causing Dwarf Bunt of Wheat and Certain Grasses, *George W. Fischer*. Notes on Alaskan Fungi, *Wm. Bridge Cooke*, *Charles Gardner Shaw*. 20 pp.\$0.90

I. A. R. I. 75.

INDIAN AGRICULTURAL RESEARCH
INSTITUTE LIBRARY,
NEW DELHI.

[illegible]

MGIPC—S5—38 AR/54—7-7-54—7,000.